

Jeff in 1984

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Dilemma for Delors
at the EEC
Commission, Page 11

NEWS SUMMARY

GENERAL

Germany releases Soviet truck

West Germany and the Soviet Union ended a three-day stalemate over an impounded Moscow-bound truck after Soviet diplomats allowed German customs men to inspect its nine tonnes of diplomatic cargo.

The West German government said the truck was carrying 207 packages which the Soviet Union said contained normal electronic radio, decoding and other equipment intended for use at the Soviet UN mission in Geneva.

West German officials had not opened the packages, in compliance with the Vienna convention, on diplomatic relations, the statement added. Page 2

Docks warning

Dock workers' leaders in Britain hinted at fresh militancy as ports returned to normal after a two-week strike. Page 4

Lebanon talks

Christian and Druze Moslem leaders negotiated on the return of Christian villagers to the Beuzeval mountains southeast of Beirut. Militants in the capital handed in weapons for storage in government-guarded depots. Page 2

Saudi visit 'open'

Iran said it was still considering whether to send the speaker of its parliament, Hashemi Rahnabadi, to visit Saudi Arabia. West German Foreign Minister Hans-Dietrich Genscher ended two days of talks in Tehran, saying Iran was ready to seek closer co-operation with the West. Page 2

Polish amnesty

Polish prosecutors today begin freeing 650 political prisoners and 35,000 minor criminals, after the announcement of an amnesty. Page 2

New passport plan

UK Government is expected to outline plans for a new passport, redesigned to match other EEC passports and able to be read by computers.

Sikh rift threat

A serious rift between Sikhs is threatening the troubled peace in Punjab brought by army action to evict extremists from the Golden Temple in Amritsar. Page 2

Aegean blaze

Fire destroyed 200 hectares of forest on the Greek island of Thassos in the Northern Aegean. The fire spread rapidly, fanned by strong winds.

Lutherans gather

The Lutheran World Federation opened its first assembly in a Communist country with a service in Budapest attended by thousands. It was the largest religious gathering under communist rule, Hungarian sources said.

Mermaid disarmed

Vandals sawed the right arm off Copenhagen's Little Mermaid statue, the second time the harbour-front statue from a Hans Christian Andersen fairy tale has been damaged in the past 20 years. In 1964 the head was removed.

Fignon's Tour

Laurent Fignon of France won the 1984 Tour de France, finishing with the pack in the final stage in central Paris to keep his comfortable lead over second-placed compatriot Bernard Hinault. Marianne Martin of the U.S. won the first women's Tour.

Grand Prix to Lauda

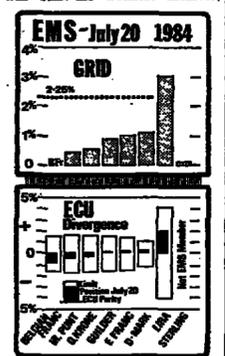
Niki Lauda of Austria, in a McLaren, won the British Grand Prix at Brands Hatch. Britain's Derek Warwick in a Renault was second.

BUSINESS

GEC wins £150m Indian contract

GEC Turbine Generators of the UK has won a £150m (\$198m) contract to supply four 60.7 megawatt coal-fired steam generators to India in one of the biggest-ever British government-funded overseas aid programmes. Page 12

BELGIAN franc continued to improve within the European Monetary System last week. Although it was still the weakest member,



there was little to choose between it and the Irish punt. The Belgian unit touched its best level in Ecu terms for over a year and rose to an 18-month high against the French franc. The latter suffered as a result of the recent formation of a new French Cabinet and uncertainty caused by the exclusion of the Communists. Continued dollar strength kept the D-Mark subdued, although it remained the second-placed currency behind the Italian lira.

The chart shows the two constraints on the European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2 1/2 per cent. The lower chart gives each currency's divergence from its central rate against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO stocks fell on Saturday for the fourth successive session, amid a weak yen and Wall Street's decline. The Nikkei-Dow market average shed 19.12 to 9,826.15. Leading prices, Page 18

BIG FOUR British clearing banks will increase profits by 19 per cent this year and have their best results in five years, according to the annual bank review by stockbrokers de Zoete & Bevan.

SOVIET oil production in June failed for the tenth consecutive month to meet target. At 307m tonnes, output for the first half of 1984 was 0.1 per cent down on the 1983 period.

INTERNATIONAL Energy Agency predicts a 32.9 per cent rise in demand for energy by 2000 but says oil requirements will stay level or fall. Page 2

TAIWAN and Toyota Motor Corporation of Japan ended talks on the setting up of a \$265m joint venture car plant, with little hope of an agreement in prospect. Page 3

FIAT, Italian car maker and industrial products group, said it expected to gain orders worth up to £3,000m (£1.7bn) from the Soviet Union under its newly signed five-year co-operation accord. Page 3

CARTER HAWLEY HALE, U.S. department stores group, is to sell its Waldenbooks chain to K mart for \$295m. Page 14

NU-WEST GROUP, western Canadian property and energy company, agreed to sell its Canadian oil and gas assets to Freeport-McMoran of New York and Transco Energy of Texas for \$325m (U.S.\$244m). Page 14

Detroit wage talks face election-year pressures

BY TERRY DODSWORTH IN NEW YORK

U.S. MOTOR industry and union negotiators begin talks in Detroit today on a new, three-year wages contract that might have important political repercussions as the presidential election approaches.

In contrast to the emergency talks in 1982, when the industry negotiated labour cuts and a salary freeze, the bargaining this year coincides with the virtually certain prospect of record annual profits, in the region of \$10bn, for the big three car manufacturers.

President Reagan's advisers have given a warning that such boom conditions should not be used as an excuse for an over-generous settlement that might provoke inflationary wage demands among other industrial workers. Earlier in the year, some government officials went out of their way to criticise the huge bonuses that gave several motor industry executives earnings of over \$1m in 1983, saying that they were provocative awards ahead of the wages talks.

The inflationary issue is certain to be taken up by the Senate Banking Committee this week, when Mr Paul Volcker, chairman of the Federal Reserve Board, gives evidence on U.S. monetary policy. Mr Volcker is bound to be questioned closely on the prospect for wages and inflation, which are both continuing to rise modestly despite evidence that the economy is still expanding more rapidly than most forecasters expected or the Fed would like.

The latest statistics suggest that average hourly earnings are rising at a moderate 3.5 per cent rate this year, little changed from 1983, and somewhat less than the rate of inflation. Several members of the Fed's governing board expressed concern at their May meeting that a generous award for the car workers might have a pervasive inflationary effect on settlements elsewhere.

The Democratic Party is equally concerned that the negotiations should not lead to a serious strike that would lead to criticism of the union movement. Historically, widely publicised strikes have cost

liberal candidates votes, and Mr Walter Mondale, the party's presidential nominee, is more closely linked to organised labour than any candidate for many years.

The talks will also pose a big challenge to Mr Owen Bieber, the new president of the United Auto Workers, who is leading the union negotiating team for the first time.

An experienced, middle-of-the-road union bureaucrat, Mr Bieber appears to be aiming for a moderate settlement with a heavy emphasis on long-term job preservation. However, he faces a strong challenge from a militant wing of the UAW, which will be pressing for very big wage and pension concessions on the ground that the 1982 give-backs played into the hands of management, losing members around \$3bn in cost-of-living increases alone.

Mr Bieber won his initial battle with the militants at a union conference this year, when he avoided a commitment to a specific wage increase from the present salary and

benefits package of around \$22.50 an hour.

Instead, he will go into the talks with a broad list of demands which, apart from job preservation, include limits on overseas sourcing of vehicles and parts; a reduction in overtime working; a restoration of cost-of-living adjustment; and a continuation of profit sharing. His aim is to sell such an overall package to a union membership whose concern over jobs has been highlighted by the hefty cuts which reduced employment in the industry from about 1.5m in the early 1980s to 1.1m at the beginning of last year.

On the industry side, only General Motors and Ford, the two largest manufacturing companies in the U.S., are involved in the negotiations after Chrysler's abdication from the old tripartite arrangements during its financial crisis four years ago.

Speculation suggests that if the talks lead to a showdown, the union may already have selected GM for a strike, partly because the company

has taken a particularly aggressive line on importing cars and vehicle parts from overseas.

On financial grounds, the union is in a reasonable position to withstand a long dispute, with its strike fund now at a record level of \$560m. So far, however, GM and Ford alike have shown every sign of being prepared to be tough in the negotiations.

In Mr Roger Smith, GM now has its most outspoken - some say far too outspoken - chairman for many years, and a leading protagonist of the sourcing strategy. He has sought to put the union on the defensive by negotiating import arrangements with Japanese and South Korean car companies, while publicising the new small car projects in the U.S., which, he says, can succeed only with the full co-operation of the workforce.

Mr Peter Pestillo, Ford's leading negotiator, has also given warnings in the last few days that a big wage increase will mean that the industry will be forced to export jobs

Chirac calls for general election

BY PAUL BETTS IN PARIS

M JACQUES CHIRAC, the leader of the neo-Gaullist RPR party, the largest French opposition group, asked President Francois Mitterrand last night to dissolve the National Assembly and hold an early general election.

M Chirac, the powerful mayor of Paris and the leading right-wing contender for the presidency in 1988, said the time had come for the French people to be consulted to ensure they had a government supported by the majority of the country.

After a few days of hesitation in the wake of the latest political developments in France, M Chirac decided to step up his attack against President Mitterrand and his administration in a move that is bound to put immediate pressure on the new Socialist government formed last week.

He has returned to the attack in a clear effort to prevent M Mitterrand regaining the political momentum he was losing. Ever since the defeat of the Left in the elections to the European Parliament last month, the opposition has challenged the legitimacy and authority of the President.

M Chirac argues that the Socialists, who have a comfortable majority in the National Assembly, are a minority in the country on the basis of their 21 per cent score in the European elections. The next legislative elections are due in 1986.

M Mitterrand's latest political moves - from the proposed constitu-



M Jacques Chirac

tional amendments extending the use of referendums to include personal freedom issues to the formation of the new government and the split with the Communists - had taken the opposition by surprise and checked their rising attack on his administration.

Opinion polls published at the weekend show that between 55 per cent and 80 per cent of the country approved the choice of M Laurent Fabius as the new, youthful Prime Minister. Moreover, the polls showed that the country generally favoured the departure of the Communists from the government.

But if President Mitterrand had hoped his latest decisions, including his withdrawal of a controversial

private education Bill, would silence the opposition, the result appears to be the opposite.

M Chirac has now sought to take the initiative by calling an extraordinary meeting of his party's central committee last night, meeting former President Valery Giscard d'Estaing, and firing a salvo of hostilities against the Socialist administration.

Since M Mitterrand is extremely unlikely to concede the opposition an early general election, the Right is now mounting a concerted attack against his referendum proposals. That is expected to become the first serious test for the new socialist government formed last week.

Although the Right is, as usual in France, not all united, the main parties appear agreed on forcing amendments on the referendum proposals in the Senate, where they hold a comfortable majority. The strategy seems to be designed to change the proposals in such a way as to make them unacceptable to President Mitterrand and to force him to withdraw them.

Constitutional changes in France must be approved by both the Senate and the National Assembly in exactly the same wording. By mounting an immediate attack on the referendum issue and demanding early elections, the Right and not the Communists have become the first big challenge for M Fabius, who is to announce his list of junior ministers today.

Federal control of Continental Illinois expected

BY WILLIAM HALL IN NEW YORK

THE DIRECTORS of Continental Illinois, the beleaguered Chicago bank, are expected to be briefed at their monthly board meeting today on the proposed rescue package which is likely to be announced by the Federal Deposit Insurance Corporation (FDIC) within the next few days.

The FDIC refused to comment yesterday on widespread speculation on Wall Street that Continental Illinois, the eighth biggest bank in the U.S., will be effectively nationalised, but officials said they expected to announce a permanent solution before the end of the week.

Because of the scale of Continental's problems, a purely private sector solution to its liquidity crisis - along the lines of BankAmerica's rescue of Seafirst Corporation last year - has been ruled out. Instead, the FDIC is expected to take over a substantial portion of Continental's problem loans and in return will be given effective control.

Although details of the package are still sketchy, it is clear that it will overshadow earlier rescues for troubled banks. When regulators stepped in and rescued Franklin National Bank in 1974 it ranked 26th in size. Similarly, First Pennsylvania Corporation, which was the subject of a \$1.5bn bail-out in

1980 and is frequently cited as a case study for a Continental rescue, only ranked 23rd in size.

Continental Illinois, which ranked eighth biggest at the end of 1983 with assets of \$42bn, is five times as large as First Pennsylvania and is too big for any one bank to digest.

Mr Walter Wriston, shortly to step down as chairman of Citicorp, the biggest U.S. bank, said some weeks ago that he "knew of no one in the world who can take on \$35bn of short-term paper every morning. It is an unconventional problem that has to be solved in an unconventional way."

The temporary \$7.5bn rescue package announced on May 17 has failed to stop the run on the bank. Its overnight borrowings from the Federal Reserve discount window rose another \$1.7bn last week to \$3.7bn.

The continued run on Continental's deposits is putting bank regulators under pressure to find a quick and permanent solution before the bank becomes insolvent. However, the regulators have found difficulty deciding how to handle the group's big Third World debt portfolio.

Wall St view of banks, Page 12

Italy puts ceiling on foreign debt

BY ALAN FRIEDMAN IN MILAN

THE Bank of Italy, concerned at a large rise in overseas borrowing, has imposed an unusual freeze on the total level of debt which Italian banks may have abroad.

The radical measure comes in response to a \$2.1bn rise in the net foreign indebtedness of Italian banks during the first half of this year.

According to the directive, Italian banks must not exceed the level of total foreign indebtedness reached on June 30 1984. This came to £25,787bn (\$15bn), an increase from £21,357bn at the start of this year.

The central bank did not say how long the measure, announced jointly at the weekend by the Italian Office of Foreign Exchange and the central bank, would remain in effect.

The Bank of Italy said the decision to impose a ceiling on the foreign borrowing had been taken for two broad reasons. The first was the rapid increase in the net foreign indebtedness of Italian banks during the first six months of 1984, a trend which could create potential difficulties for the lira in a volatile foreign exchange market.

The second consideration was that the "heavy inflow of foreign currency through the banking system" could heighten concerns about the control of credit in the Italian economy.

It could also prove a hindrance to the effective implementation of Italian monetary policy and could damage efforts to control the inflation rate.

Beyond concerns for the Italian currency and monetary policy, the central bank also wishes to discourage a rise in imports. A substantial part of Italy's fragile economic recovery is export-led.

Much of the rise in borrowing by Italian banks is understood to be related to trade financing. The £25,787bn total reached last month also included interbank lines extended to Italian banks.

The new ceiling comes after efforts by Italian central bank authorities to loosen some of their regulatory levers. But the prospect of excessively high foreign borrowings by Italian banks appears to be seen as an element of serious potential instability for the country's financial system.

Miners set firm in UK strike

By John Lloyd and Maurice Samuelson in London

LEADERS of Britain's striking miners are prepared to see the 20-week-old pit dispute prolonged indefinitely in the expectation that the National Coal Board (NCB) and the Government will finally back down on their insistence that pits may be closed because they are unprofitable.

Mr Peter Heathfield, the National Union of Mineworkers (NUM) general secretary, said last night the striking miners were in "good heart" and that even those initially reluctant to join the strike - as in Lancashire in the north-west - were determined to win through to victory.

"We shall be saying to them 'Stand fast! I have no doubts at all that they will,' he said.

The NUM's national executive is to meet in Sheffield on Thursday to consider the NCB's final offer, with little doubt that it will turn down the plea from Mr Ian MacGregor.

The vital word, Page 5

Continued on Page 12

BUSINESS NEWSFLASH

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OVERSEAS NEWS

WORLD TRADE

Labour expects to win Israeli election

By David Lennon in Tel Aviv

ISRAEL'S Labour Party is convinced that it can topple the Likud Government in today's general elections and form the next coalition government...

Which ever party forms the new government will need to take strong measures immediately to deal with the inflation which has produced 400 per cent inflation and a foreign debt of almost \$30bn.

The Palestinians of the West Bank and Gaza Strip regard this election as crucial for their future. They believe that if Likud is re-elected its policy of building Jewish settlements...

The Palestinians believe Labour's declared policy of willingness to trade parts of the occupied territories for peace with Jordan offers a chance for change but this hope could be frustrated if Labour needs to include some religious parties in its coalition.

The eve of election opinion polls are unanimous in reporting that Labour will win more seats in the Knesset than the Likud but there is considerable difference between the opinion polls over the size of the lead, which may derive more from Likud losses than Labour gains.

One poll shows Labour winning 12 more seats than Likud, another put the gap at only six seats. In no case do the polls forecast Labour winning more than 50 of the 120 seats in parliament.

The same polls also indicate that the vote among the right-wing and centre parties may be barely sufficient to enable Labour to put together a coalition of more than 60 members of the Knesset.

If the Likud loses seats but holds on to at least 40, then it may still be in a position to put together a coalition. This is possible because the seats it loses are expected to go to the right-wing and religious parties, who are its natural political allies...

The possibility, at least in theory, that either of the right-wing parties could form a coalition, if given the chance, led to frenzied political bargaining over the weekend between the large and the small parties.

The wooing and horse trading concentrated on Ex-Execer, the man, the popular former Likud Defence Minister whose centrist Yahad Party is expected to win about three seats.

Labour has already offered him the Treasury portfolio if he joins its coalition. Likud has countered with an offer of the deputy premiership and the chance to replace Mr Yitzhak Shamir as premier at a later date.

In the absence of an overall majority for either of the big blocs, it is centrist parties like Mr Weizman's which will hold the key to which of the major parties heads the next coalition.

Priests oust Sikh rebel

By K. K. Sharma in New Delhi

A MAJOR schism in Sikhism yesterday threatened the troubled peace brought to the sensitive border Indian state of Punjab by the army's major action last month to flush out terrorists.

The five high priests of the Sikhs yesterday excommunicated the religious warrior Nihang sect chief, Baba Santa Singh, who began a "Kar Sewa" (voluntary service) last week with his followers to repair the damage to the golden temple complex in Amritsar in defiance of orders by religious and political Sikh leaders.

The Sikh high priests and the Akali Dal, the community's political party, want to repair the Golden Temple themselves but only after the army has withdrawn from the holy shrine. Mrs Gandhi has refused to withdraw the army and is widely believed to have persuaded Baba Santa Singh to begin repair work in which hundreds of her own followers have joined.

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Poles hope for normal relations

BY CHRISTOPHER ROBINSON IN WARSAW

POLISH prosecutors start work today on freeing more than 650 political prisoners and some 35,000 minor criminal offenders following the announcement of an amnesty at the weekend. The authorities hope that the amnesty, which should for the time being clear the prisons of political detainees, will mark the close of the post-martial law period.

The move includes provision for Solidarity underground leaders and activists to return to normal life if they give themselves up by the end of this year. The amnesty is also aimed at facilitating the normalisation of political and economic relations with the West, which would include the dropping of sanctions and Poland's entry into the International Monetary Fund.

At the end of the amnesty in four KOR dissidents who went on trial as late as July 13, seven Solidarity leaders, one of whom, Mr Andrzej Gwiazda, was released at the weekend on a three-day pass to visit his mother in hospital, and some 200 other prisoners were released and externally would be lost unless the amnesty included everyone.

Church officials recently in the West brought back the message that the U.S. would lift its block on Polish membership of the International Monetary Fund if all the prisoners were released and the information was duly passed on to the Polish Government.

Pope John Paul II earlier this year appealed privately to Mr Ronald Reagan, the U.S. Catholic church officials, led by Archbishop Bronislaw Dabrowski, the secretary of the President, for an immediate lifting of sanctions on the grounds that present Western policy is pushing Poland more and more into the arms of the Soviet Union.

At the weekend, Cardinal Jozef Glemp wrote to Parliament to express his satisfaction at the amnesty but raised the point that other steps were necessary if the political climate is to change and the prisons to be kept from slowly filling up again. Mr Lech Walesa also welcomed the move.

The church and Mr Walesa are now expected to press for new trade unions to be set up alongside the existing one established in 1982 to replace the banned Solidarity.

As a result of the amnesty the lifting of Common Market trade sanctions against Poland will be considered at a meeting of EEC foreign ministers in Brussels today.

THE U.S. State Department in Washington welcomed the Polish decision to grant an amnesty to political prisoners, but gave no signal that the step would lead to a decision to lift all the sanctions put in force when the Polish Government first imposed martial law. The Reagan Administration's response is expected to be dictated to a considerable extent by domestic political calculations about the impact of any move on both right-wing administration supporters and the Polish-American vote.

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Iran 'still considering' Saudi invitation

BY OUR FOREIGN STAFF

TEHRAN - The Speaker of the Iranian Parliament, Hashemi Rafsanjani, said yesterday he has not ruled out visiting Saudi Arabia next month and that the invitation was still under consideration.

Iran reported last week that Saudi Arabia had asked Mr Rafsanjani, who is also speaker of Iran's war cabinet, to visit the kingdom during the annual Moslem pilgrimage to the holy cities of Mecca and Medina.

Diplomats in Tehran said a visit would be a conciliatory move after months of tension in the Gulf over attacks on shipping.

He said Iran would weigh any political disadvantage in sending a senior official to Saudi Arabia and preparations for such a visit might be protracted.

Mr Rafsanjani said there was "a chance but not much" of a Saudi role in ending the Gulf war by ceasing its aid to Iraq.

He suggested the lack of communication between the two countries had made Saudi Arabia cynical about Iran.

When the lorry first crossed into Switzerland at Basle, they demanded to see inside. When the Russians refused, the vehicle was allowed on to the German customs area.

But their precise contents were not disclosed. The German customs officers were not allowed to open the crates—merely to check their number against a manifest provided by officials at the embassy.

The Russians, who on Friday peremptorily demanded the release of the truck on the grounds that it was covered by diplomatic immunity, have all along insisted it contained "normal goods" destined for their United Nations mission in Geneva, including communications and decoding equipment.

But the Swiss authorities were no less suspicious than their counterparts in Bonn.

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Soviet lorry dispute resolved

BY RUPERT CORNWELL IN BONN

THE DISPUTE over the mysterious Soviet diplomatic container lorry has been resolved. Following agreement by the Soviet authorities for West German customs officers to carry out a cursory inspection of its contents, the vehicle is expected to start off back to Moscow today.

The 20-minute inspection by four customs men, accompanied by a representative of the Finance Ministry was carried out on the extraterritorial ground of the Soviet Embassy in Bonn. Earlier the lorry had returned to the capital from the Helmsdorf frontier crossing into East Germany, where it had been held for three days.

According to Herr Peter Boenisch, the West German Government spokesman who announced the agreement to end a potentially embarrassing dispute, the nine-ton truck contained 207 items of freight.

But their precise contents were not disclosed. The German customs officers were not allowed to open the crates—merely to check their number against a manifest provided by officials at the embassy.

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Reagan bid to regain initiative

By Stewart Fleming in Washington

PRESIDENT Ronald Reagan is planning a heavy week of political campaigning in a bid to regain the initiative following the successful Democratic presidential nominating convention last week which selected Mr Walter Mondale to lead the party against the incumbent President in November.

The White House has already announced that on Wednesday and Thursday Mr Reagan will make a campaign swing through Texas, Georgia and New Jersey.

Administration officials quickly responded to Mr Mondale's charges that if Mr Reagan is re-elected the Administration is planning to raise taxes in order to reduce the federal budget deficit once the presidential election is over.

Mr Larry Speakes, the White House spokesman, denied that the President has a "secret plan" to raise taxes. He maintained that the Administration wants further reductions in personal income tax rates in a second term as part of a tax reform and simplification plan.

But he would not rule out the possibility of tax increases. The Administration's position has been that it would press for the maximum cuts in federal spending before moving to raise taxes.

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Energy Policies and Programmes of IEA Countries, 1983 Review, IEA, 2, Rue Andre Pascal 75775, Paris Cedex 16, France.

Scarcity of pre-export finance hits Brazil

By Andrew Whitley in Rio de Janeiro

A SCARCITY of pre-export finance could cost Brazil \$1bn in "lost" exports this year, revenue needed to reduce further the current account deficit, according to Sr Carlos Tavares, the foreign trade chief.

A partial solution could come from the World Bank, whose entry into export financing will be solicited by the Brazilian Government later this week.

The bank already provides Brazil with import finance through a "drawback" scheme designed to promote exports.

The outlook for Brazil's exports has also been affected by a decline in the world market for soya products. New estimates from Caecex, the foreign trade authority, put the likely 1984 revenue from the soya complex, mainly Brazil's leading hard-currency earner, at \$2.5bn to \$2.8bn, compared with first hopes of a record \$3.6bn.

The soya processors have been affected by a decline in demand for meal and a steep fall in recent weeks in the price of soya oil. Traders say that over the past six weeks prices have fallen from \$940 to \$700 a tonne.

The lack of pre-export credit, to finance the manufacture of goods for which final contracts have not been concluded, is a relatively longstanding problem, accentuated by the recent increase in the number of companies eager to export.

Demand for export finance is estimated to be running at about \$150m a month, while the amount available from the Government is only about a third of this figure.

The authorities are thus considering transferring responsibility for the provision of such finance to the private banking sector. But Brazil is anxious about the likely effects on exporters of present high interest rates on the domestic money market.

U.S. forces 'war readiness limited'

By Our Washington Correspondent

A Congressional inquiry has concluded that partly because of shortages of equipment and spares the ability of the U.S. military to sustain a protracted conflict with the Soviet Union is severely limited.

The study which details the results of an 18-month inquiry by the staff of the House Appropriations Committee says the U.S. Army cannot be sustained in combat for any extended period of time, and that the air force is not capable of sustained conventional war operations.

The urgent need to improve the readiness of U.S. forces has been given as a reason by the Reagan Administration for increased defence spending.

But the report, which has been produced by a committee controlled by the Democratic Party, suggests that readiness has deteriorated since the investigation began in 1982.

Singapore initiative leads to \$175m STC contracts on cables

BY CHRIS SHERWELL IN SINGAPORE

THE SIGNING of submarine cable contracts worth some \$175m (€132m) in Australia on Friday marks another vital step in the efforts of telecommunications authorities in two dozen countries to plug some gaps in the global telecommunications network.

The contracts, with Standard Telephones and Cables (STC) of Britain, are for links between Singapore and Perth via Jakarta. They are the last of three sets signed this year for a vast new cable system stretching halfway round the world from a focus in Singapore.

In March, a second set of contracts was signed for a submarine cable linking Singapore to Taiwan via Hong Kong. These were worth \$150m, and went to STC for the Singapore-Hong Kong leg and to the Japanese companies NEC and Fujitsu for the Hong Kong-Taiwan link.

In February, at a grand ceremony in Singapore, contracts were awarded to lay a \$300m 3,000-mile submarine cable from Singapore to France, which will be the first time and link South-East Asia to the Middle East and Western Europe directly.

This system, owned by a consortium of 22 telecommunications administrations, will connect Singapore to Marseilles via Sumatra, Sri Lanka, Djibouti, Saudi Arabia, Egypt and Italy, and will be one of the longest submarine cables in the world.

Here too, STC figured among the contract winners: the British company which claims to have the largest share of the world's submarine cable market, will complete the 875-mile segment between Djibouti and Jeddah. Most of the work, however, went to Submarcon of France, which has contracts for five of the eight segments worth some \$250m. Submarcon is jointly owned by CIT-Alcatel and Cable de Lyon.

All three cable systems are planned to be in service between the end of 1985 and mid-1986. Together they will supercede the 17-year-old South-East Asia Commonwealth (Seacom) cable, which connects Singapore and Malaysia to Hong Kong, Guam and Australia and, in turn, to Britain, via the Pacific and Atlantic Oceans—a total of 8,000 miles.

The prime moving force behind these developments has been the Telecommunications Authority of Singapore, known locally as Telecom. The island state sees itself as a "brain centre" for the South-East Asian region which will concentrate on high-technology manufacturing and research and offer sophisticated financial and information-based services.

Sophisticated telecommunications is essential to perform this role. Telecom reckons its existing high-quality facilities, especially full satellite communications, have been an important factor encouraging foreign companies with regional interests to set up in Singapore rather than elsewhere.

manufacturers, is urged to focus its attention on the Italian as well as the British market.

Domestic manufacturers have been strengthening their position on the Italian market, the bureau said.

The case for parallel imports rests both on the part of buyers and sellers to trade freely in the common market and on the fact that the existence of the trade acts as pressure on manufacturers to keep prices keen.

The commission, in its competition policy, has sought to stamp out corporate agreements which hinder parallel trading. Earlier this month it imposed a £207,550 fine on BL for applying technical regulations covering the parallel import of Metro cars. BL is appealing to the European Court of Justice.

British car prices '30% higher than in Belgium'

BY PAUL CHEESERIGHT IN BRUSSELS

BRITISH car buyers still have a lot to gain by buying new cars abroad, according to the European Commission's consumer price survey. In spite of discounts available on list prices at home.

The bureau concluded that as it published the results of its new car price survey. This shows that, net of taxes, British prices are 30 per cent higher than those in Belgium.

The price disparity, disclosed in the accompanying table, has led the bureau to press for safeguarding trade in parallel imports—the buying of cars outside distribution lines established by manufacturers.

But the European Commission, which is preparing EEC legislation to govern the distribution networks of the car

HOW THE PRICES DIFFER (as % of Belgian prices)

Table with 5 columns: Car Model, Belgium, Germany, France, Italy, UK. Rows include BMW 320i, Citroen GSA Palas, Fiat Panda 45, Ford Escort XR3i, Mazda 323 GT 1.5, Opel Kadett 1.6 SR, Peugeot 305 GT, Renault 5 GTL, Volkswagen Golf GTI, and an Average row.

Source: European Bureau of Consumer Unions

Nakasone attacks rivals' calls for public spending rise

BY ROBERT COTTRELL IN TOKYO

MR YASUHIRO NAKASONE, Prime Minister of Japan, has hit back at political rivals who are urging him to increase public spending. He said that private-sector initiatives were preferable to public works programmes as a means of stimulating the domestic economy.

Mr Nakasone said the Japanese Government was contributing to faster economic growth through deregulation, notably of the country's financial sector and telecommunications industry.

The Prime Minister was speaking at a weekend seminar organised by his ruling Liberal Democratic Party. His speech was effectively a public reply to rivals who have made economic policy a major campaign issue of the forthcoming election for the LDP presidency, the job which Mr Nakasone currently holds and which carries with it the office of Prime Minister while the LDP is in power.

Mr Nakasone's speech came the day after Japan's Ministry of Finance asked most government agencies to reduce their budget appropriation requests for the 1985-86 financial year from the current year's spending level, the third successive year in which this request has been made.

Mr Yoshiniko Mihsone, director of the Ministry's budget bureau, indicated on Friday that increased allocation requests would be acceptable in respect of defence, economic aid, and pensions, but that such increases should be minimal.

The Ministry's tight fiscal policy is supported by Mr Nakasone, but is now being publicly opposed by increasingly senior LDP members.

The most conspicuous LDP supporter of more expansionist fiscal policy is Mr Kichiji Miyazawa, a former Minister of International Trade and Industry, who is expected to run against Mr Nakasone for the LDP presidency in November. Mr Miyazawa has put forward what he calls an "asset-doubling plan" to double government capital works spending over the next 10 years.

Mr Shinzaro Abe, Japan's Foreign Minister, indicated in a speech on Saturday that he, too, favours a more relaxed fiscal policy. Mr Toshio Komoto, director of the government's Economic Planning Agency, is also identified with more expansionist policies.

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WORLD SHIPPING REPORT

Tanker charter rates fall

BY LYNTON McLEAN

TANKER CHARTER rates slid last week amid a further build-up of tanker tonnage and a continued surplus of oil.

The most substantial decreases in rates were in the Gulf. Rates fell to low levels experienced prior to the attacks on shipping in the area. Brokers reported that there was "almost a glut" of oil and oil products on the market.

Most oil movements have been on a contract basis, with little spot chartering.

The last reported charter for a tanker to be loaded in the Gulf outside the Kharg Island area was by Finnish charterers for a 250,000 tonne vessel, at Worldscale 29, for discharge in the West.

Up to 30 very large and ultra large crude carrier tankers will be available for charter last week up to the end of the month. A further drop in rates is expected.

Smaller tankers were in a similar position, according to E. A. Gibson Shippers.

The North Sea, Mediterranean and Caribbean markets also showed little charter activity "with too many ships hunting the quoted cargoes," Galbraith's shipbrokers said.

The Greek merchant fleet, one of the largest in the world, fell by 10.8 per cent in terms of ships registered to 3,124 vessels at the beginning of May compared with a year earlier, according to the Greek Merchant Marine Industry. In terms of tonnage, the total size of the fleet fell by just over 9.5 per cent to 25m gross registered tonnes.

The world tanker fleet has contracted by 6 per cent per annum over the past two years, according to a review of the shipping and shipbuilding industries by Phillips and Drew in a report published this morning. In contrast the world fleet of dry bulk vessels has been expanding by about 5 per cent per annum over the past two years.

WORLD ECONOMIC INDICATORS

Table with 5 columns: Country, May '84, April '84, March '84, May '83. Rows include U.S.A., Japan, W. Germany, UK, France, Italy, Netherlands, and Belgium.

Source: IMF

WORLD TRADE NEWS

Taiwan talks on Toyota car plant break down

By Robert King in Taipei
TALKS between Toyota Motor Corporation of Japan and the Taiwan Government aimed at setting up a \$285m (£20.2m) joint venture car manufacturing facility here have broken down. A senior government economist said he was "extremely pessimistic" as to the chances that the venture would proceed.

Fiat expects big Soviet orders

TURIN—Fiat, Italy's major car manufacturer and leading private industrial group, said it may receive as much as 1.3 trillion (million, million) (£1.3bn) worth of orders for its products from the Soviet Union under a five-year co-operation accord renewed last week.

Paul Betts, recently in Riyadh, on how the battle for the \$2bn King Saud campus contract was won Desert monument to Saudi educational ambitions

"THERE HAS never been a contract of this kind, of this size before and there probably won't be another one again," remarked M Olivier Poupard-Lafarge, the chief financial officer of Bouygues, France's largest private construction company, during a visit to the three-and-a-half square mile King Saud University campus in the Arabian desert outside Riyadh.



The King Saud University campus—the project took longer to negotiate than to construct

The Saudis required \$80m in performance guarantees (the equivalent of 5 per cent of the fixed project cost), up to \$200m in penalty clauses or 10 per cent of the contract, and bank guarantees totalling \$343m as collateral for a 20 per cent advance for a similar amount on the project price.

"I had never imagined that we would have to draw up the software for the project control system. I had expected and had been told I would find such a system on the market without difficulty," said M Bouygues.

U.S. curbs on textile imports attacked

By Mohamed Afzal in Islamabad
THE U.S. came under heavy fire from textile-producing developing countries over the weekend for stepping up restrictions on imports of their products.

UK employers urge tougher line on Spanish car tariffs

BY JOHN GRIFFITHS IN LONDON
THE CONFEDERATION of British Industry is urging the UK Government to take a tougher line with Spain on tariff barriers to car and other manufacturing imports.

Nippon Kokan to build oil production unit

By Robert Cottrell in Tokyo
NIPPON KOKAN, the Japanese steelmaker, is to undertake the world's first new building construction of a deepwater offshore oil production and testing system (PTS) for K/S Petrojarl, a consortium of Norwegian companies.

Turkey and U.S. sign metro study accord

By DAVID BARCHARD IN ANKARA
TURKEY and the U.S. have agreed on a feasibility study for the Istanbul tube tunnel rail crossing and Istanbul metro system.

ENERGY BLUEPRINT PLANNED EFFICIENCY AND ECONOMY IN THE USE OF ELECTRICITY. 22

Wellington, in Shropshire, has one of the country's most elegant modern indoor swimming pools. And Wrekin District Council, which operates it, has chosen an equally elegant and modern way of heating the pool complex — two electric heat pumps.

Heat pumps cut running costs of swimming pools by up to 75%



Wellington Swimming Pool where heat pumps provide a comfortable environment for swimming, pump dehumidifies this air and the dried air is eventually recirculated. The majority of the heat reclaimed is latent heat from the moisture in the air.

School's first prize for energy saving

The all-electric Ravenscroft Primary School at Clacton is an excellent example of good energy design and management. So good, in fact, that it won the 1982 Building Services Award for Energy Use in Buildings.



Ravenscroft School where electricity is providing for the future. The competition judges' comments made particular mention of the design team's ingenuity in integrating advanced energy-saving equipment into a structure fully designed to make the most of it.

Dining in the right atmosphere

Rules is a well-known restaurant in London's Covent Garden — a restaurant that prides itself on good English fare and old-fashioned, dignified service.

the other above a window disguised to look like part of the original window. Compact, quiet and efficient, the heat pumps can both heat and cool and they make use of free ambient energy to contribute to the heating.

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UK NEWS

Docks warning as ports get back to work

BY BRIAN GROOM, LABOUR STAFF

DOCKERS' LEADERS intend to build on the re-found militancy which they believe their two-week strike has demonstrated by trying to achieve further gains against employers on a range of outstanding issues.

The union will try to get a tighter grip on breaches of the statutory dock labour scheme. It may also exert internal discipline against the signing of local deals which favour one employer over another, and so-called abuses of the labour scheme in ports such as London and Goole had already returned.

At a national union docks conference in London on Saturday, only about seven out of 88 delegates voted against the peace formula thrashed out in 16 hours of negotiations at the headquarters of the Advisory, Conciliation and Arbitration Service (Acas), the independent Government-supported arbitration service.

Mr John Connolly, docks secretary of the Transport and General Workers' Union (TGWU) said of the strike: "The response on this occasion has been so great that it is a first stage in our view. We will be seeing an expansion of that, and we know the areas we need to work on to make it possible."

He did not specify the TGWU's plans, but the union had a number of policy objectives which it believed port employers and shipowners had ignored with impunity because of lack of solidarity among dockers.

An effort may be made to tighten the union's policy of blacking shipping services which are switched between ports by shipowners who seek a better financial deal.

The TGWU believes this switching causes job losses in the abandoned ports, but the blacking policy has been undermined by lack of support from dockers at some locations.

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The TGWU would like the scheme extended to non-scheme ports but this would be hard to achieve because non-scheme ports are its weakest link - as shown by the crumbling of the dispute at Dover last week, and the return to work at Felixstowe which would probably have followed.

The strike started over British Steel's use of unregistered labour to load iron ore blacked by dockers at Immingham.

Under the terms of the deal employers have promised to use non-registered labour only after applying to their local dock labour board.

Employers believe it will be hard for the dockers to make the further gains they are seeking. They believe also that the Acas formula, which introduces no new procedures to the dock labour scheme, fails to give unions the concessions they wanted.

Under the deal the unions state they are not seeking a new industrial agreement.

Freeze on cash for 'hit-list' councils

By Robin Pateley

A CASH freeze for councils caught by the Government's rate-capping legislation, which restricts the spending powers of local authorities, will be announced tomorrow by Mr Patrick Jenkin, Environment Secretary, together with increased penalties for councils which exceed the Government's expenditure targets.

Mr Jenkin will announce a relaxation of financial pressures on councils which keep within the Government's targets, notably most of the Tory-controlled shire county councils.

The rate-capping "hit list" contains 18 councils, but ministers are considering a last-minute reprieve for Brent, Merseyside and Sheffield. These three exceeded their grant-related expenditure assessments - the Government's calculation of the expenditure needed to provide a standard level of services - by less than 25 per cent. If they are reprieved, they will be the most likely candidates to head the 1985-87 hit list unless they make voluntary cuts.

Tomorrow's announcement will show that the Government has increased targets for lower-spending councils more generously than for those which persistently overshoot their budgets.

Freezing the cash budgets for the hit-list councils at the same level in 1985-86 as in 1984-85 means cuts will have to be made equivalent to the rate of inflation, expected to be about 5 to 6 per cent in 1985-86. This means substantial cuts will have to be made in some already hard-pressed urban areas, such as Hackney in London, which is Britain's poorest borough.

CBI warns of optimism over stronger July sales growth

BY MICHAEL PROWSE

RETAILERS and wholesalers expect to sell more this month than in July 1983, according to the latest survey of the distributive trades by the Confederation of British Industry, the UK employers organisation, and the Financial Times.

Mr John Salisse, chairman of the CBI's distributive trades panel, warns, however, that "the survey was completed before the recent rise in mortgage rates which is likely to depress retail sales in the coming months." Retailers are continuing to enjoy stronger sales growth than wholesalers. The CBI suggests that, because the July sales were so successful last year, a further improvement this year shows "considerable optimism."

The survey indicates that 89 per cent of retailers expect to sell more in July than a year ago and only 8 per cent less.

All sectors, including confectionery, tobacco and newspapers, which have been weak in recent months, expect to sell more this month than in July 1983.

The picture for wholesalers is less encouraging. Sales growth seems to have ground to a halt. In June 42 per cent of wholesalers reported higher sales than a year ago and 41 per cent lower sales. The positive balance of 1 per cent was the lowest since the survey was started in July 1983.

Wholesalers expect to do better in July, but since March their expectations have been consistently over-optimistic. The CBI points out that wholesalers have been significantly affected by a large fall in sales in the fuel and energy sector, presumably reflecting the impact of the miners strike.

For the distributive trades as a whole there has been a steady deceleration in sales growth since the beginning of the year. The positive balance of companies reporting increased sales has fallen steadily since January and in June was the lowest since the survey started.

The survey indicates that motor traders are having an unexpectedly poor summer. Last month 45 per cent reported a fall in sales volume compared with June 1983, and only 34 per cent an increase. A further fall in sales and stocks is predicted for July.

A positive balance of firms surveyed in all retailing and most wholesaling sectors expect to place bigger orders with their suppliers this July than in 1983. Higher volumes of stocks are also expected.

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UK NEWS

How negotiations became caught in semantics

Vital word in way of coal peace

BY JOHN LLOYD, INDUSTRIAL EDITOR

ONLY the word "beneficial" separates the two sides in the miners' dispute, which enters its 20th week today.

The formulation in the National Coal Board's (NCB) draft on which talks broke down last week, and which the full National Union of Mineworkers' (NUM) executive will consider on Thursday, said where both sides agreed that a colliery had "no further mineable reserves... which can be beneficially developed, such a colliery shall be deemed exhausted." The NUM's draft simply left out "beneficially."

Mr Arthur Scargill, the NUM president, has insisted that the word is a proxy for "economically" or "profitably" - and thus to agree on its inclusion would be to allow the National Coal Board to close pits on purely loss-making grounds.

But it is possible that Mr Scargill has put a stricter construction on the vital word than the NCB meant. After all, if the NCB meant to say "profitably" or "economically", why did it not use these words, rather than the much vaguer one?

These questions are now being posed by NUM officials, who fear that the tactic of continuing the dispute into the winter may result in defeat, and who suspect that the NCB's final offer may, after all, represent a considerable tactical victory for the union.

The shorter Oxford English Dictionary defines "beneficial" as in the first instance, a synonym of "beneficent" which in turn defines as "doing good, performing kind deeds." In the second instance it defines it as "of benefit", and defines "benefit" as "a thing well

done, a good deed; a kind deed, favour, gift, advantage, profit, good (the ordinary sense)." So that, while profit can be part of its meaning, there is plenty of scope for semantic argument.

Roget's Thesaurus - which Mr Mick McGahey, the NUM president, has consulted on this subject - gives as synonyms for beneficial "wholesome, healthy, salutary, sound, refreshing, edifying, worthwhile, advantageous, profitable, favourable, kind, propitious, harmless, hurtless, inoffensive, unobnoxious, innocuous."

The semantics of this argument are much more than academic. If a serious lobby develops in the NUM for a settlement on the basis of the NCB's last offer, it will centre on the amount of flexibility which "beneficial" can offer.

Publicly the NCB has maintained - like Mr Scargill - that the word has economic connotations. It must do so, for the Government is unlikely to approve of a settlement which does not win at least a small advance from a long and hugely expensive strike.

Mrs Margaret Thatcher, the Prime Minister, said in the House of Commons last week that the NCB must not concede on the word.

Senior officials at the NCB believe, however, the word is capable of a variety of constructions, and are fearful that it may already have conceded too much.

It is a rare offer whose wording is interpreted strictly by the union and loosely by the management, but the NCB's final draft may be such a one.

Management at FTS blamed by auditors

By Ray Maughan

A POWERFUL group of institutional investors will decide next month whether to continue support for Future Technology Systems (FTS), which was formed five years ago to design and manufacture a new generation of microprocessor-based computer systems in Beith, near Glasgow.

An interim financial report produced at the beginning of this month by Coopers & Lybrand, the major auditing and consultancy firm, found that the company "has suffered from appalling financial mismanagement."

Coopers calculated that the capital injected by the funds through a share placing arranged by brokers in August last year have been entirely eliminated. It concludes that should the shareholders elect to invest more capital as "an act of faith" in the company's product they should either seek a buyer for the company or "re-organise the structure of the company radically, particularly in respect of management, systems and operating locations."

Mr Peter McHugh, one of three founders of FTS, will be replaced this week by Sir Monty Finniston, former chairman of British Steel Corporation.

NatWest moves to establish integrated securities house

BY DAVID LASCELLES

NATIONAL Westminster's agreement last Friday to buy a 5 per cent stake in Fielding Newson-Smith, the stockbroker, seems to put in place all the building blocks it needs for the "integrated securities house" now fashionable but still untested in the London banking scene.

Once stock exchange rules allow it, NatWest will buy full control of the stockbroking firm and weld it to Biggood, Bishop, the stockjobbers, in which it already has a 29.9 per cent stake, and to County Bank, NatWest's merchant bank which is masterminding the plan.

Mr Charles Villiers, County Bank's chief executive says NatWest will then have issuing, market making and distribution capacities all under one roof, something only made possible by the Stock Exchange's decision to end the traditional distinction between brokers and jobbers.

NatWest's deal may not be the biggest so far arranged by UK clearing banks but it appears to be the most far reaching. In sheer size, Barclays' tie-up of over £100m with de Zoete & Bevan, the stockbrokers and Wedd Durlacher, the jobbers is in the lead. But unlike NatWest, Barclays is not committed to buying

full control of its partners which implies that total integration is not thought possible or desirable.

Samuel Montagu, Midland Bank's 60 per cent-owned merchant bank has an alliance with W. Greenwell and Co, the stockbrokers, but has stopped short of joining with a jobber as well because it believes it can build on its own trading skills, which traditionally have been strong. Lloyd's Bank has yet to make a move although it is looking at the possibility of joining with a stockbroker to offer discount broking services to its retail customers.

NatWest's deal was greeted with some scepticism from the still considerable ranks of those who cannot imagine how bankers, stockbrokers and jobbers can ever form a harmonious marriage. Mr Villiers is one of the more articulate exponents of change, however, and staff at County Bank say they have spent countless hours plotting their move.

"We chose to go with Fielding and Biggood, because they have a similar attitude to us. They see the need for change and agree on the concept of an integrated capital market operation," he says.

But the details of how the three are to be pulled together have yet to

be worked out. NatWest is keen that Fielding and Biggood retain some independence to avoid losing business from NatWest's competitors. Eventually their identities will merge with NatWest and they will move into a single building.

The cost of assembling this operation will be quite modest for NatWest, the world's 12th largest bank which only last week announced a £260m rights issue.

The Biggood deal will cost about £15m; no value has been given for the Fieldings deal. The greater outlay will be capitalising the venture to a sufficient size, to take on the giants of the international investment business. Under Bank of England rules, it will have to be a separate subsidiary that will not be allowed to gear itself up as highly as a bank, so it will need more capital to underpin the same volume of business.

Although these bank deals may be pioneering, they are still little more than shots in the dark. Bankers say that the successful bank of the future must be totally involved in the capital markets, but they also admit to deep uncertainties, and to feelings of being propelled to act, just to stay in the race.

This announcement appears as a matter of record only.

May 1984

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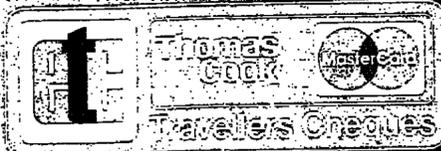
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Increased demand for small factories

By Michael Cassell, Property Correspondent

DEMAND FROM industry for small factories and workshops is increasing, according to English Estates, the industrial development agency which is part-funded by the Government.

In its annual report for the year to March, English Estates says interest in small business premises grew significantly and that larger units were also increasingly in demand. The agency obtains funds for its development activities from the Department of Trade and Industry, the Development Commission and from the private sector.

Lettings in England were at record levels and amounted to nearly 1,200 units accounting for 2.9m sq ft of floorspace, a 31 per cent increase from 1983.

The volume of space let substantially exceeded the 1.33m sq ft of floorspace completed, with the result that vacant floorspace fell by 10 per cent over the year. At the year end, however, English Estates still had nearly 5m sq ft of floorspace unlet.

UK NEWS

Lloyds Bank ready to grapple with change

Lloyds' new chief outlines the need to accommodate a changing banking scene, reports David Lascelles, Banking Correspondent.

A HEAVY agenda will confront Mr Fred Crawley when he takes over as chief general manager of Lloyds Bank at the end of this month. Like all clearing banks Lloyds is gearing up for an escalation in the battle with building societies for deposits, and management will also have to grapple with the fast-changing scene in the City of London, with developments such as home banking and cashless shopping.

But Mr Crawley comes to the job with wits sharpened by time spent with Lloyds' subsidiary in California, which is probably the world's most competitive - and potentially lucrative - banking market. Recently he has been in charge of marketing and planning at the smallest, but in many people's view the classiest, of Britain's big four clearing banks.

He said: "We see a need for change to accelerate, but not necessarily by big changes."

He believes his most pressing task will be to combat the inroads made by the building societies on the banks' traditional market. The Chancellor's decision to make banks pay interest net of tax rather than gross from next year will eliminate a useful competitive advantage which helped disguise the fact

pay full rates for money, but also charge fully for services. At the moment we are only recovering about 50 per cent.

As automation improves, however, and banks branch out into new lines of business, traditional services such as cashing cheques and money transmission will become relatively less important.

Mr Crawley is keen to see Lloyds revamp its trustee business into a financial counselling service, where customers can get advice on money, investment and tax matters. This would be linked to a discount broking service which Lloyds would offer in conjunction with stockbrokers, and from there it would only be one step to cash management accounts which combine savings and investments. These are popular in the U.S. but quite new to the UK.

Mr Crawley also sees "all sorts of potential" for Black Horse Agencies, Lloyds' recent and still unique entry into the estate agent business. The agency is the largest network in the country with 170 offices, and should increase to 300 in the next two years.

Mr Crawley is wary about much publicised breakthroughs in banking technology such as video home banking and cashless shopping.

Accountants' status 'threatened by growing commercialism'

By Alison Hogan

A LEADING accountant has given a warning that encroaching commercialism is threatening the professional status of accountants in public practice.

Mr Bernard Lee, chairman of the board of the American Institute of Certified Public Accountants, voiced his concern only days before members of the Institute of Chartered Accountants in England and Wales meet to vote on radical new guidelines that will, for the first time in the UK, allow widespread advertising and publicity by practising accountants.

The U.S. accounting profession has allowed advertising for several years. U.S. firms are marketing new types of business, including the selling of tax shelter schemes, and work traditionally done by survey-

ors, such as the examination of property leases.

Mr Lee, interviewed in London, was concerned that the profession might lose its independent status. "We have the exclusive franchise to perform audits and have gained in the minds of our clients the status by which they entrust all sorts of other undertakings to us, believing that they will find objectivity."

The American Institute has been coming under increasing pressure from members to ease its code of professional ethics even further to allow, for example, the buying and selling for commission of software designed by others - and even computer hardware, too. A recent move to change the rules was defeated by only two votes (87 to 85).

Mr Lee is not dogmatic about the path he feels the profession should take, but he said: "If we take on the trappings of a commercial concern, we should not stumble into it, but do it intentionally and knowingly."

At a time when the audit market is stagnating, accountancy firms are under growing pressure to move into new areas of financial services. "The larger firms are looking for other things to do," said Mr Lee. "A commercial approach is largely expected of us by our clients."

In the UK, restrictions on advertising are expected to be lifted by October this year. The Association of Certified Accountants, the main body other than the chartered institute, whose members conduct audits, agreed new guidelines at its June council meeting.

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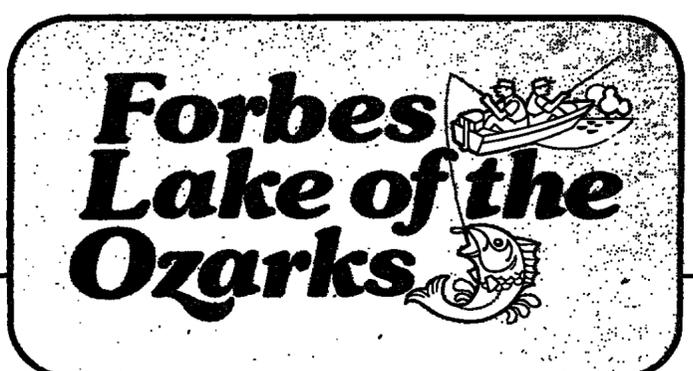
to Orange Free State Quarterly that appeared in this paper 20 July 1984.

JOINT METALLURGICAL SCHEME

Administered by Anglo American Corporation of South Africa
Please note that the figures under "Summary" should have read:

| | Quarter ended June 1984 | Quarter ended March 1984 | 9 months ended June 1984 |
|-----------------------------|-------------------------|--------------------------|--------------------------|
| SUMMARY | | | |
| (1) Pyrite flotation plants | 2 835 000 | 3 860 000 | 11 310 000 |
| slimes treated - tons ... | | | |

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2,200 km of 1,000-volt grade cables, 121 km of 11kV underground cables and 16.5 km of insulated earthing conductors.
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- Supply of Line Insulators and Stay Equipment - 25114/04
Tenders are invited for the supply and delivery CIF Aqaba of the following:—
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Tenders are invited for the supply and delivery CIF Aqaba of the following:—
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23,650 single-phase MCB's.
275 three-phase MCB's.
Tender Document price US\$150 in Jordan or £115 in UK.

Tender documents will be available on or after 23rd July 1984 obtainable by application in writing to Irbid District Electricity Company Ltd., PO Box 46, Irbid, The Hashemite Kingdom of Jordan, accompanied by a cheque for the appropriate JD amount, as above, OR from Preece Cardew & Rider Ltd. at Prudential House, North Street, Brighton, Sussex BN1 1RW, Consulting Engineers to Irbid District Electricity Company Ltd., on payment of the Stating amounts stated above. These sums are not refundable.

Tender documents will consist of three documents one of which will contain the IEE/MechE General Conditions of Contract "B1." Two copies of Tenders must be submitted to IDECO office in Irbid by 12 noon on the 15th September 1984 for 25114/01 and 02; 16th September 1984 for 25114/03 and 04; 17th September 1984 for 25114/05.

Fixed price contracts are required and tenders must be valid for four months and be accompanied by a Bid Bond as specified in the documents valid for four months.

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN SUMITOMO ELECTRIC INDUSTRIES LTD.

Further to our notice of March 23, 1984, EDR holders are informed that Sumitomo Electric Industries Ltd. has declared a dividend of ¥100.00 per share for the period ending March 31, 1984. The cash dividend payable is ¥100.00 per share. Payment to EDR holders will be made by the Depositary, Citicorp International Bank, New York, New York, USA, on or about July 27, 1984. EDR holders may now present Coupon No. 7 for payment to the undersigned agent.

Persons who are not registered holders of EDRs but who are in possession of a valid affidavit of residence in a country having a tax treaty or agreement with Japan, may benefit from the reduced withholding tax. Countries currently having such arrangements are as follows:

| A. R. of Egypt | F. R. of Germany | Malaysia | Singapore |
|----------------|------------------|-----------------|----------------|
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| Belgium | Italy | New Zealand | Sweden |
| Canada | Hong Kong | Norway | Switzerland |
| Denmark | India | Philippines | United Kingdom |
| Finland | Indonesia | Russia | USA of America |
| France | Japan | Sri Lanka | Zambia |

Falling receipt of a valid affidavit of residence will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends not claimed after October 31, 1984. Amounts payable in respect of current dividends.

| Coupon No. 7 | Face Value | Dividend payable less 20% Japanese withholding tax | Dividend payable less 20% Japanese withholding tax |
|--------------|------------|--|--|
| 1,000 shares | \$12.50 | \$10.00 | \$10.00 |

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July 23, 1984

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ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 20th July 1984, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

- £250 million 9½ per cent TREASURY STOCK, 1988
- £250 million 10½ per cent TREASURY STOCK, 1989
- £200 million 11½ per cent TREASURY STOCK, 2003-2007

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 20th July 1984 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 20th July 1984, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

- £100 million 10½ per cent TREASURY STOCK, 1989
- £100 million 10½ per cent EXCHEQUER STOCK, 1997

In each case, the amount issued on 20th July 1984 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Application has been made to the Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 9½ per cent Treasury Stock, 1988, 10½ per cent Treasury Stock, 1989 and 11½ per cent Treasury Stock, 2003-2007, dated 11th October 1983, 16th December 1977 and 20th July 1979 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 8AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

| Stock | Redemption date | Interest payment dates |
|--|---|---------------------------------------|
| 9½ per cent Treasury Stock, 1988 | 25th October 1988 | 25th April, 25th October, 19th May |
| 10½ per cent Treasury Stock, 1989 | 19th May 1989 | 19th May, 15th November, 22nd January |
| 11½ per cent Treasury Stock, 2003-2007 | 22nd January 2007, or on or at any time after 22nd January 2003 subject to not less than three months' notice | 22nd January, 22nd July |

The further tranches of 9½ per cent Treasury Stock, 1988 and 10½ per cent Treasury Stock, 1989 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 11½ per cent Treasury Stock, 2003-2007 has been issued on an ex-dividend basis and will not rank for the interest payment due on 22nd July 1984 on the existing Stock. Official dealings in the Stocks on the Stock Exchange are expected to commence on Monday, 23rd July 1984.

BANK OF ENGLAND
LONDON
20th July 1984

UK NEWS

TRADE DEPARTMENT FREEZES SCHEME TO STRENGTHEN TIES WITH UNIVERSITIES

Industrial research plan shelved

BY PETER MARSH

SPENDING CUTS have forced the Department of Trade and Industry (DTI) to freeze until at least next April a scheme to strengthen research links between academic institutions and industry.

The plan, suggested in a report by the Government's scientific advisers last year and which until recently had the full backing of DTI officials, would have pumped up to £5m a year into projects such as science parks and measures to encourage the interchange of staff between the academic and commercial worlds.

Sir Alan Muir Wood, a leading engineer who was chairman of an advisory group that last June urged the Government to adopt the scheme, said he had been disappointed at the lack of official action.

Sir Alan, a former senior partner of Sir William Halcrow and Partners, the engineering company, said that the Government should give the "highest priority" to encouraging universities and polytechnics to do research more relevant to industry.

As a result of cuts in the nation's education budget, academic institutions could do only a limited amount to redirect work towards commercial projects of a kind that would "fundamentally benefit" UK companies.

"I can't see the kind of change

that we are looking for taking place without some new investment," said Sir Alan. "The Government is being extremely short-sighted if it doesn't appreciate that the useful points about the scheme would be worth the limited amount of money that it is being asked to contribute."

The group of which Sir Alan was chairman was a working party set up by the Advisory Council for Applied Research and Development (Acard).

Besides calling for an "infrastructure fund" of £5m a year to be administered by the DTI, the working party's report urged the Science and Engineering Research Council (SERC) (whose budget comes from the Department of Education and Science) to spend an extra £10m a year in supporting universities and polytechnics that do industrially orientated work.

In the view of Sir Alan's group, the infrastructure fund would help to pay for joint academic-industrial research units and the provision of teams of officers to advise academic staff on matters such as patents.

The SERC cash, meanwhile, would permit educational institutions to continue with basic scientific studies that complement research aimed at solving specific industrial problems.

The Government has yet to respond formally to the Acard docu-

ment. Civil servants from both the DTI and the Education Department are considering the report. The DTI said that officials had been ready to support the plan for an "infrastructure fund" until budgetary restrictions ruled it out.

"We continue to think that the scheme was a good one, but it had to be stopped as a result of Treasury decisions. It will stay frozen until such time that the department is able to finance it in a reasonable way. This will not be until at least the start of the next financial year."

Prof Derek Smith, the chairman of a group called University Directors of Industrial Liaison (Udil), said that in the absence of more money from the Government, people employed by universities to strengthen commercial links would "soldier on."

Prof Goddard said that universities should become more closely involved with industry as a way of

giving local companies new ideas in, for instance, product development and thus arresting economic decline in regions outside the relatively prosperous south-east.

Universities should remove formal barriers that discourage their scientific and engineering staff from working for industry and should take their employees' commercial records into account when deciding on promotion.

These are likely to feature among the conclusions of a study to be published in the autumn on the growth of high-technology companies in Cambridge. The city provides the best example in Britain of the way in which an academic institution can nurture small businesses involved with novel applications of science and technology.

The area has some 300 small technology-based companies, a large proportion of which have started in the past five years and have links with the city's universities.

An important finding from the study, conducted by Segal Quince & Associates, a company of consultants based in Cambridge, is that a high percentage of the new businesses were formed by people who were previously at the university or who worked for other small companies in the area.

France will supply half of Jersey's electricity needs

BY EDWARD OWEN

OVER TWO or three days in August, during the neap tides, about 27 km of submarine cable will be laid between Jersey and the Normandy coast to enable the island to draw half its electricity from the French national grid after April 1985.

The Jersey Electricity Company, in which the island government is the principal shareholder, is spending about £13.5m on the project.

The main purpose of the cable link is to reduce Jersey's present total dependence on oil for generating its electricity. The island's fears over the future cost and availability of the fuel have been underlined by continuing conflicts in the Middle East.

Cable terminal stations have been built at Archirondel in Jersey and Surville in Normandy. Laying of the land cable to Jersey's La Collette power station is in progress, and should be completed by the end of January.

The £2.25m contract for manufacturing and installing the land cable went to Pirelli General in England, and the £5.5m contract for the sea cable was won by the French company Cables de Lyon.

For most of its length, the cable will be laid on the sea bed with only about 1 km at each end buried. The

French have agreed to ban trawling, dredging and anchoring for 500 metres on either side of the cable.

Meanwhile, in dealings with the French Ministry of Industry, the Jersey Electricity Company has run into an international issue - the vexed and still unresolved question of who owns the sea bed between the island and France.

Under agreements dating back to the last century, Jersey shares a *mer commun* with France to the east and south of the island in which each has traditional fishing rights. Over the years, however, the two sides' view of the common sea have diverged.

A Geneva court of arbitration gave its ruling in 1977 on the division of the Continental shelf between Britain and France to the north and northwest of the Channel Islands, but decided it was not competent to resolve the dispute over the two countries' rights to the south and east of the islands.

In the dossier dealing with the laying of the cable to Jersey, the French have quietly slipped in claims to territorial rights that have not been agreed by Britain.

However, the company thinks that for immediate practical purposes, the issue can be sidestepped.

Port of London Authority



Summary of Accounts

for the year ended 31st December 1983

| GROUP PROFIT AND LOSS ACCOUNT | | GROUP BALANCE SHEET | |
|--|--------|---------------------|---|
| | 1983 | 1982 | |
| | £m | £m | 1983 |
| | | | £m |
| TURNOVER | 74.3 | 64.1 | FIXED ASSETS |
| OPERATING EXPENDITURE | (61.7) | (69.6) | Tangible Assets |
| GROSS PROFIT | 12.6 | 15.5 | Investments |
| Administrative Expenses | (10.2) | (10.4) | 71.9 |
| Investment Income | 0.9 | 1.2 | 14.1 |
| PROFIT BEFORE INTEREST | 3.3 | 6.3 | 86.0 |
| Interest | (4.9) | (11.4) | 89.3 |
| LOSS BEFORE TAXATION | (1.6) | (5.1) | Creditors: |
| Taxation Credit (Charge) | (1.5) | (5.1) | amounts falling due after more than one year |
| LOSS AFTER TAXATION | (1.5) | (5.1) | Provisions for liabilities and charges |
| Loss Attributable to Minority Interest | — | — | 16.7 |
| LOSS BEFORE EXTRAORDINARY ITEMS | (1.5) | (5.1) | Accruals & Deferred Income |
| Extraordinary Items | — | 5.2 | 3.6 |
| LOSS/PROFIT FOR THE YEAR | (1.5) | 0.1 | Reserves |
| | | | (30.6) |
| | | | Minority Interest |
| | | | 86.0 |
| | | | 89.3 |
| | | | GROUP SOURCE AND APPLICATION OF FUNDS STATEMENT |
| | | | NET INCREASE/(DECREASE) IN LIQUID FUNDS |
| | | | 3.1 (5.8) |

21st May, 1984
V. G. PAIGE, Chairman
J. N. BLACK, Chief Executive
T. R. MACMASTER, Director of Finance
Published by the Port of London Authority under Section 8(3) of the Port of London Act, 1968

The above is an extract from the published Accounts of the Port of London Authority for the year ended 31st December, 1983, which have been delivered to the Registrar of Companies. The audit report contained in the published Accounts includes a qualification, the main substance of which concerns the financial assistance provided by Government for severance to regional and non-registered employees. C. E. Easdale, Secretary
Copies of the Report and Accounts 1983 can be obtained from the Secretary's Department, Port of London Authority, Leslie Ford House, Tilbury Docks, Essex RM11 5TEL. Price, £2.00

NOTICE OF REDEMPTION EUROPEAN COAL AND STEEL COMMUNITY (ECSC) US \$ 25,000,000 8% 1977/86

The Commission of the European Communities informs herewith the holders of bonds that a selection by lot for a principal amount of US \$ 240,000 has been made for redemption in the presence of a Notary Public on July 12, 1984 at the Luxembourg branch of the Société Générale Association de Banque.

Number of bonds selected by lot:

| | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 2391 to 2407 | 2586 to 2597 | 2599 | 3172 to 3173 | 3184 | 3215 to 3226 |
| 3311 to 3315 | 3317 to 3322 | 3374 to 3389 | 3460 to 3464 | 3504 to 3509 | 4596 to 4600 |
| 5101 to 5200 | 5201 | | | | |

Principal amount unamortised after 1st September 1984: US \$ 4,000,000.

From 1st September 1984 the bonds selected by lot will no longer bear interest. The Bonds presented for reimbursement should be accompanied by coupons of 1st September 1985 and following and will be payable in accordance with the terms and conditions shown on the bonds.

Financial Times Conferences

WORLD AEROSPACE

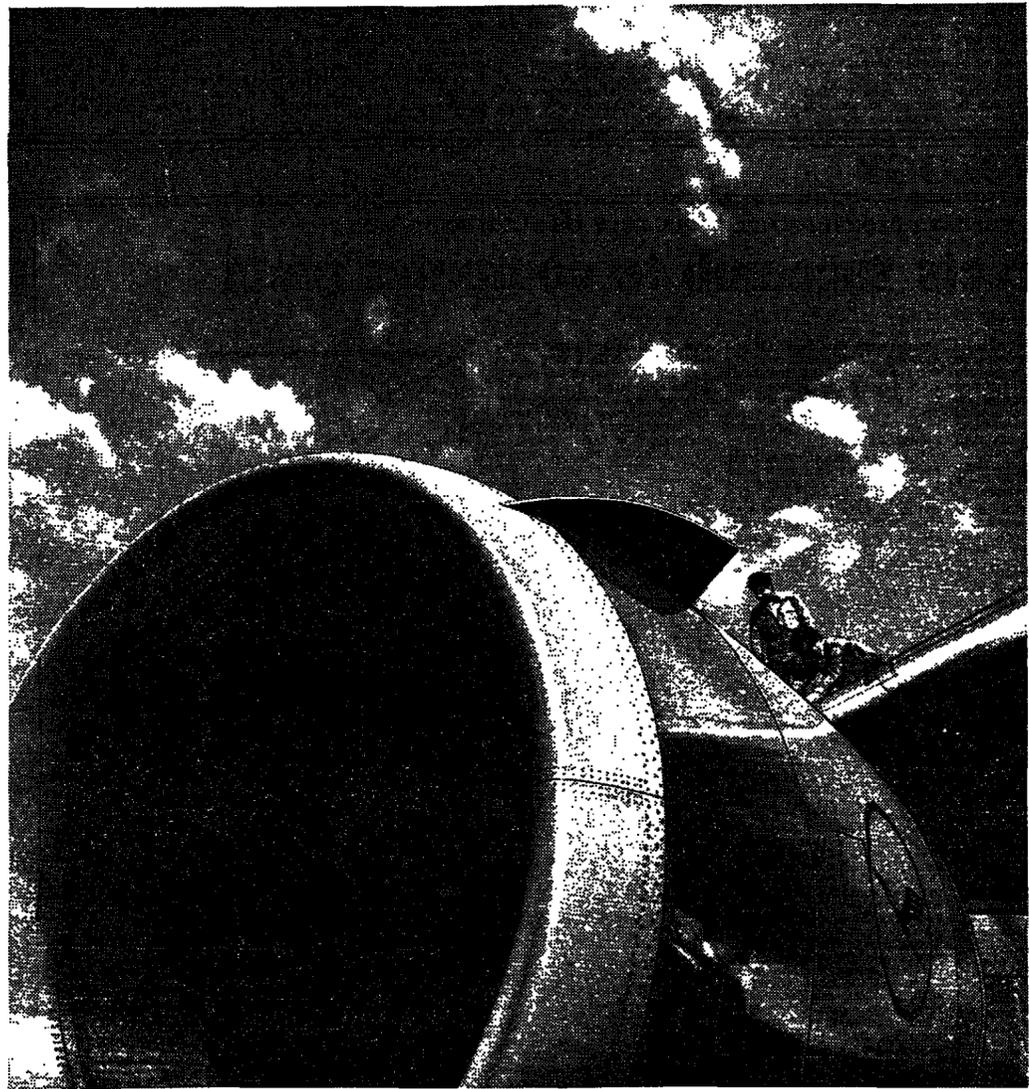
Aerospace After the Recession
London, August 28, 29 and 30

This three day meeting just prior to the Farnborough International Air Show will bring together a distinguished panel of top executives from the world airline and aerospace industries and regulatory authorities to address the theme "Aerospace After the Recession - where do we go from here?" Three additional topics have been added to the programme: "Aerospace Manufacturing in the Developing World" will be reviewed by Mr Ozires Silva, Chief Executive Officer, Embraer; "The Role of the Avionics Industry in World Aerospace" by Mr J. E. Pateman, Managing Director, Marconi Avionics and "The Future for Guided Weapons" by Mr B. J. Rosser from British Aerospace Dynamics Group.

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MANAGEMENT

IT WAS a quiet Friday in the Düsseldorf trading room of R.P. Martin, the world's largest broker of dollar-Deutschmark foreign exchange. A dozen dealers at a ring of desks belaboured at each other across huge banks of telephones, lights flashed and squawk boxes from bank dealing rooms added to the din.

"Don't be deceived," said Peter Endres, the senior executive, "if it was really busy, you wouldn't be able to hear me speak."

R. P. Martin got to the top of the world's busiest currency market through its 1981 merger with Bierbaum, the largest West German broker. Dollar-DM trades account for over two-thirds of the 50 trillion (million million) dollars that change hands each year in foreign exchange, and a good chunk of that passes over R. P. Martin's technology-grammed desks.

But despite this enviable market share, Martin is widely viewed in the broking business as a company in trouble. Rumours of a split with Bierbaum are current in the busy trading rooms, fuelled by the dramatic resignation last year of Michael Phelan, the chief executive in London who put the merger together, and there is talk of massive rows with the Germans. Earnings have been patchy. And invidious comparisons are constantly drawn with Martin's much more visible and glamorous competitors, Exco and Mercantile House, whose daring tactics and acquisitive appetite make it look timid, even dull.

"We are not Exco and Mercantile House, and we don't intend to be," says David McWilliam, the new managing director appointed only four months ago to give the company a fresh impetus and fill, after an extended hiatus, the gap left by Phelan.

A quiet, well-groomed former naval officer, he could hardly stand out in the narrow boy atmosphere of the dealing rooms. But he has 20 years of City experience behind him in broking, the discount market, treasury management and most recently as head of the international division of MasterCard International. He comes with the reputation, as a former colleague puts it, of being "very bright."

McWilliam's problem is only too plain: Martin's foreign is over 90 per cent business exchange and money broking, which is fine when the markets are busy and commissions keep flying in, but not so great when they are slack. Brokers have huge fixed costs: Martin's communications costs alone run to £8m a year.



David McWilliam: communications alone cost his company £8m a year

Lessening the risk in a risky business

R. P. Martin is strong as a money and foreign exchange broker, but little else. David Lascelles reports on its plans to diversify

On top of that, the explosive growth in money markets of the 1970s is over, competition is intense, and the big international banks constantly threaten to cut brokers out of deals they feel they can easily do themselves. About half the world foreign exchange turnover goes through brokers rather than directly between banks, but opinions differ widely as to whether that share is set to rise or fall.

The slump in Martin's share price has also made it vulnerable to takeover; its market capitalisation, which once stood at over £80m is now down to £26m which means, among other things, that it missed the opportunity to cash in on a strong share price to finance expansion like its big rivals, though Martin's stock is now up from its lows.

But even if Martin was big enough to emulate Exco and Mercantile House, McWilliam

does not see it becoming a financial supermarket by buying up other businesses like stockbrokers or discount houses, or even moving into trading as a principal rather than an agent.

"That's not how people shop," he says. "They go to different institutions for different services." He argues that the recent weakness in Mercantile House's share price reflects growing shareholder disenchantment with the notion of financial conglomerates and the regular dilution of stock through paper-finances takeovers. Martin's own share price, he claims, has begun to strengthen because comparisons look more favourable.

Instead, McWilliam uses the analogy of onion skins; he wants to build up new businesses around a weak core. "We want new services for our existing customers and new customers for our existing services."

The ventures he is looking at include dealing in currency options, barter trading (especially with cash-strapped Third World countries), manufacturing and supplying telecommunications and trading room equipment, and possibly setting up a clearing house for information about available export finance.

If he takes the plunge, it will be mainly by starting up Martin's own companies rather than through acquisition. "You buy a lot of goodwill when you buy a service company, and if you're not careful it can walk straight out of the door," he says. But he does not rule out acquisition if the right opportunity turns up.

Modest goals, possibly, in a business that trades on the dramatic and glamorous, but McWilliam expects that Martin's dependence on non-broking sources will rise substantially in the years ahead.

But sensitivities are involved. One reason for Phelan's departure, it is believed, is that he clashed with the Bierbaum people over diversification plans and how they should be financed. The German end, headed by Endres who is executive vice chairman of the group, owns 45 per cent of Martin stock which it votes through a German Voting Trust. This gives Bierbaum effective control over the whole company which it presumably does not wish to see diluted more than absolutely necessary. The remaining stock is owned 9.5 per cent by Touche Renouart, 10.5 per cent by the Merchant Navy Officers Pension Fund and the rest by smaller shareholders.

Endres, a former trader with striking golden hair and beard, proclaims himself enthusiastic about the tie-up and, like McWilliam, denies all talk of a rift. "We are united group and we completely support what David is trying to do. That is why we hired him."

His task is to develop the broking side of the business, but he still sees scope for growth despite the pressures. He believes Martin must become stronger in currencies other than the DM, especially yen, now the fastest-growing market. But that means getting a foothold in Tokyo which can only be accomplished by forging an alliance with a Japanese firm which has curbs on foreign entry. Martin has been talking for some time with Japanese brokers but, says Endres, "it moves slowly."

He also wants to beef up Martin's share of the sterling market, one of its weak areas, and build up deposit broking, which is less hectic than foreign exchange and where market share may be easier to win. He also sees potential in trading Scandinavian currencies and the ECU. All this could mean averaging down the very high rates of return Bierbaum earns on its German business, but in the interests of longer term growth.

The key question all brokers will have to address soon, though, is whether to make the leap into dealing directly with corporations, instead of through banks who jealously guard their role as intermediaries.

This is already happening to some extent in the U.S. But in Europe brokers have been wary of making the break for fear of upsetting banks and losing their business. "Banks are very sensitive about their relationships," says Mr Endres. "But I believe pressure for change will come from the companies themselves in the end." When it does, of course, it will bring a string of new customers for all brokers.

Long range research

Collaboration is the key

David Fishlock talks to Eduard Pannenberg, an EEC special advisor

"IN DEVELOPMENT you can cooperate with people you don't like. You can't in research. You must have interaction, and that can only be done on the basis of deep mutual respect between individuals."

That is the conviction of Dr A. E. (Eduard) Pannenberg, the genial Dutch physicist who has just retired from the management board of Philips, the electronics and domestic appliances manufacturer, after 30 years spent in shaping its technical strategy and forging bonds between research scientists. As a small boy he dreamed of being a mayor. Instead, at 62, he becomes chairman of the supervisory board of the largest of Philips' operating companies, in the Netherlands, with 63,000 employees; and an honorary professor in the research laboratory at Delft University, his alma mater.

In Pannenberg's past year as vice-president and vice-chairman of the board, Philips spent £770m on research and development, 7.5 per cent of sales. Now he moves on to become special advisor on information technology to Viscount Davignon of the EEC.

Pannenberg has been a prime mover in the founding of Esprit, the European Strategic Programme of Research in Information Technology. This is an EEC-backed collaboration in "pre-competitive" or very long range research between a dozen competing European electronics groups, including Philips, in order to develop tomorrow's technologies for making semiconductor chips.

With Siemens, also an Esprit collaborator, Philips is launching another pre-competitive research partnership. This is into speech recognition, a long-term goal of information technology which Pannenberg believes will benefit from a common attack in different languages. A few other partnerships of this kind are brewing, he says.

EEC officials have turned repeatedly to Philips for the conceptual basis of Esprit, he claims. He believes that Philips is still the only truly European electronics group, with its technical and manufacturing effort still widely throughout Europe. Its technical strength is reflected in its having been given project leadership in five

Esprit programmes, of a total of ten in which it is participating so far.

Pannenberg began to learn the harsh lessons of research collaboration as a research physicist of 33. He had fought the Germans as a British officer and then taken his PhD before joining Philips in 1952. In 1955 he was asked to set up a Philips research laboratory at Aachen in West Germany, as a new step in a systematic process of internationalising Philips' research.

He admits that he agonised over the decision. "But by saying no you do no-one any good." Life in German society proved far from easy. It was five years before he began to feel at home in post-war Germany.

"A basic characteristic of development is that people agree beforehand what is to be done," Pannenberg says. "You can apportion resources, set schedules, organise it on hard lines. You don't have to give your collaborators in a development project."

Unanswered questions

A research programme, by contrast, can only be defined in qualitative terms and is much more difficult to apportion, and is never easy to carry out to fixed timescales because of all the unanswered questions.

Pannenberg has learned during his years with Philips that it takes a full generation to overcome cultural, language and other barriers in Europe to work with a colleague from another country as smoothly as you do with your own countryman.

The company must have the patience to wait for the second and even the third generation of researchers before laboratories will collaborate effectively across national boundaries.

Even the U.S. laboratory—where language was not a barrier—looked until the early 1970s to integrate fully into Philips research. Distance was part of the problem, Pannenberg believes. But a second U.S. laboratory in California,

twice as far away, got off to a flying start in the late-1970s with such aids as electronic mail and time-shared computers to shorten the lines of communication.

But he has been thwarted by Japan. Japan is a different problem, he says. Philips has no research centre there, "though I'd love to". But the company has no manufacturing base in Japan either and he sees this as a prerequisite of successful industrial research in any country.

Moreover, the academic community in Japan is every bit as insular as the Oxbridge community in Britain—closed as a shell, damned difficult to break into.

Pannenberg believes strongly that in Europe the goal must be to regain the consensus—lost by the late-1960s—that European nations should collaborate as an industrial community; the consensus that sees its competition on other continents. Europe needs urgently to start behaving like a continent, he says.

"To my mind Esprit is first and foremost an exercise in international co-operation within the Common Market area, and monetary assistance to industry is only secondary." Nonetheless, even Philips, with its "unusual record" of much emphasis on long-term research, has tended to neglect truly long-term research a little under the pressure of economic necessity, he says.

Pannenberg put forward his views of the underlying importance of science-based co-operation in Europe in a paper commissioned by the European Industrial Research Managers Association, a club of executives from Europe's leading science-based companies. He warned of the dangers with fast-changing technologies of finding you have R and D located in a country which no longer represents the most advanced demand. Philips itself has found this in the case of West Germany and office computers, he admitted.

Pannenberg also suggested that Europe has far to go in trying to overcome the kind of chauvinism which, he says, delayed Esprit last year because Britain was keener to get its related Alvey long-range research programme on the thinking computer launched first.

TECHNOLOGY

LARGE SCALE BUILDING DESIGN PROJECT WILL RELY ON ELECTRONIC AIDS

Architects succumb to computer plots

BY ALASTAIR GUILD

ARCHITECTS will not now be given larger scale projects, in many cases unless they possess computer aided draughting (CAD). The latest figures on computer use by architects suggest that this is now a far greater option for clients than it was in 1980. Then, only a handful of CAD systems were in use by architects. Now there is at least a 10 fold increase.

Most architects with computers use them for word processing, accounting and cost planning. As might have been expected, it is those practices with 52 or more members of staff which have invested most heavily in CAD. But the picture is changing.

"Most of those practices thinking of investing in £100,000 CAD systems have already done so," says Mr Ian Hamilton of the Construction Industry Computing Association. "System based CAD drawings that the new untapped market is for draughting systems costing around £50,000."

"However, there is still a danger that architects may get the wrong impression that in some way, for £2,000 or £3,000 spent on a good micro-computer they are buying a draughting system comparable with more expensive equipment."

One of the most distinctive characteristics of the more expensive CAD system is the size of its database. Without this large database, CAD systems could not have the impact that they are already having on the way architects work, particularly within large, multi-disciplinary practices. "The database," explains Mr Hamilton, "can be described as the mathematical model in which the computer stores its own representation of the graphical and other information that is provided by the traditional drawing."

A great deal of design time can be lost using conventional methods as proposals are passed to and fro between the architects and the other specialist members of the design team.

With drawings held by the computer as numerical models, rather than graphical representations, each professional can extract selectively and operate on information created as a drawing by another member of the building team.

Building services engineers and structural engineers, for example, may only require outline drawings to be extracted from the architect's general

arrangement drawings. If the drawings of all members of the team are based on the same base data, then the computer can incorporate any changes made to these drawings into the general arrangement drawings.

Different firms of consultants, architects and structural engineers working on the same project, for example, may also exchange data by way of magnetic tape. Providing they use the same draughting system, any changes may be incorporated onto the base drawings held on the magnetic disc.

Scott, Brownrigg and Turner are the architects for the new Terminal 4 building at Heathrow. The firm invested initially in a draughting system to ease the resulting workload. "Once you have to look at drawings over a long lifespan," explains SBT's Mr Chris Blaw, "then it is worth loading CAD drawings into the central processor. This has helped us to keep track of alterations to thousands of drawings."

"Accurate setting out of roads and aircraft taxiways and aprons contributed to the multi-disciplinary use of our drawings. Tailor-made plots were supplied to mechanical engineers for the addition of ductwork layouts, for example."

The number of systems used in the construction industry which can actually "talk" to each other is at present limited. As they increase, so, it is predicted, will the number of computers and the integration of different design disciplines.

Some of the larger practices, such as YRM, are considering renting their own terminals to other consultants working with them on large projects. This should encourage greater standardisation of software and hardware.

Impetus may also come, for example, from the greater availability of networks, enabling clusters of workstations in one office to exchange information with workstations in another office.

Mr John Landsdown, chairman of Systems Simulation Ltd and a senior research fellow at the Design Research Department, Royal College of Arts, sees the Local Area Network (LAN) as providing the facility "that the pioneers of CAD dreamed of: that all members of a particular design team would work with a common computer system even if they were in separate locations. Each member can now have their

own machines and these can be interconnected in a way which would allow common use of programs and data."

Computers have the potential also to encourage building users to become more involved at an early stage of building design. The ABACUS unit at Strathclyde University used a computer-based design aid, PARTIAL, for example, to help nursery school teachers to evaluate the layouts of a range of designs for a new school, with the computer providing feedback on cost and performance.

"The computer," says Professor Tom Mavor of Strathclyde University, "can give a much greater understanding of drawings, and the implications of designs for energy consumption, because of the computer's ability to make value judgments about a design at a public inquiry will in future be based on the best objective evidence available."

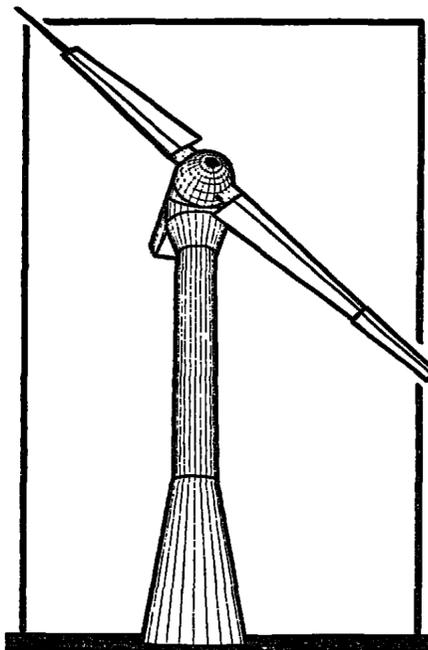
ABACUS is producing a courtyard design for a French architectural practice. By specifying the day, time and location, it is a simple calculation to work out where the sun would be. The program can then cast shadows on the computer visualisation as they would appear when the courtyard is complete, helping the architect to decide on the most efficient orientation for windows, for example.

The designer is now able to "walk around" a three-dimensional representation of the building, looking at it from different heights and angles, helping in the assessment of the likely environmental impact of a building once complete.

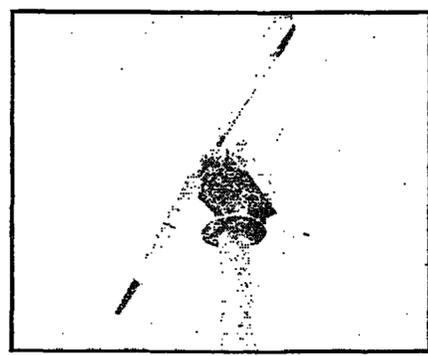
Many of the developments in the application of computers seem to lead in the direction of a more integrated approach to the building process. "The business of having the designer separate from the constructor becomes more and more ridiculous," says Mr Landsdown. "As more people want to share computing facilities, then computer aided construction ought to be possible."

The computer can automatically ensure, for example, that as a design develops, so the building materials can arrive on site in the right order. By changing an element of the building graphically, the computer automatically updates the schedule.

The building industry needs first to speak with one voice about its software needs, to adopt common standards for data transfer, and to encourage compatibility of systems.



The 30m diameter wind turbine now in operation on the Orkneys (below) was conceived by computer aided design as above



WASTE CONTROL

Plastics recycling

BY JOOST VAN KASTEREN

STEADY INCREASES in plastic consumption will provide an incentive to recycle more plastic waste. Though there are several established recycling methods, new techniques are emerging for plastics waste in separation, remelting, pyrolysis and the manufacture of a refuse derived fuel.

Mr Leendert Blom, a board member of the Dutch Plastics Federation, speaking at a world conference on materials recycling in the Netherlands last month, emphasised the need to recover waste plastics. He said that landfill site for waste dumping was no longer economic or socially acceptable.

Today only 20 per cent of plastic is recycled but this could be as high as 40 per cent by the end of the decade. World consumption is about 80m tonnes a year with special and engineering materials growing in importance.

Western Europe uses 18m tonnes annually of which two thirds are thermoplastics such as polyethylenes, polypropylenes, polybutene, polystyrene and polyvinylchloride.

Polycondensed plastics like nylon, polyesters and polycarbonate can chemically be recycled. Through hydrolysis, the polymer is split into its different building blocks. Growth in the use of foam from polyurethane urges chemical ways of recycling, when remelting is not possible. One of these ways is to pulverise the foam and treat this with water at high temperatures as is done by Bayer AG in West Germany. About 90 per cent of the constituents is recovered.

A dogma in the world of recycling of plastics is the aversion to burn it, says Mr Blom,

but this can be a very elegant way of recovering the energy in plastics. Worth mentioning in this respect is a project in Ebenhausen, West Germany, of pyrolysis (heating in the absence of air) of plastics and rubber tyres. This gives a gaseous and a liquid fuel, which can be used in an industrial furnace. The 7,000 tonnes a year pilot plant has recently come into operation. Studies were done at Hamburg University to determine the best feed stocks for this process.

With such a variety of plastics produced, recycling with mixtures of materials can give a poor quality product. Some companies such as the Dutch Lanhorst, convert by remelting industrial plastic waste into fencing poles and highway reflector signs. These products are 15 per cent more expensive than their wooden counterparts, but do not rot.

Before more sophisticated technology can be applied, plastic waste has to be physically separated. Some public collection schemes exist in Europe.

Several domestic wastes have caused such problems that some pilot projects have been abandoned or undergone drastic changes. For example, F&M, a Dutch refuse company, found it difficult to separate plastic from the light fraction, such as paper, in waste. It is rebuilding in installation.

In Vienna, a different plant capable of handling 1,000 tonnes annually was recently closed.

ESMIL in the Netherlands has built a separation plant which extracts a tiny part of the plastic fraction which can be re-used as new, while the rest of the waste is converted into fuel.

MOTOR ENGINES

Improved petrol combustion

TOYOTA HAS developed a lean combustion technique for petrol engines and is already using it in production models of the 1.6 litre Corolla for the Japanese home market.

Completeness of combustion is measured using a new design of ceramic sensor in the exhaust manifold. The sensor sends its information to a computer which in turn controls a high performance electronic ignition system and independent fuel injection for each cylinder. A helical injection port is used

to give swirl in the cylinder for better combustion.

The company says that previous attempts to reduce exhaust emission through weakening of the mixture beyond about 15:1 have failed because, at ratios lean enough to be effective, combustion becomes unstable and the vehicle undrivable. The alternative approach says the company, in which a catalytic converter gets rid of the combustion products, results in poor fuel economy.

EDITED BY ALAN CANE

Norwest Holst
Management contractors
for the construction of the
International Garden Festival

Electricity Electronics meters

THE DEPARTMENT of Energy has approved the design of a Thorn-EMI Dynastar microprocessor based computer which is attached to conventional electricity meters. The unit has been developed to allow the electricity utilities to offer consumers a wider range of tariffs.

With this electronic unit, there is more flexibility because it is easier to program the necessary tariff band requested by the user. The computer can store the number of units of electricity consumed in up to nine tariff bands, as well as the total unit used. It is linked to the credit meter by an optoelectronic transmitter.

The unit's memory can store up to one year's data on electricity consumption. More details from the company in Trecow, near Glamorgan on 0443 432272.

Communications

Error control

A PAIR of devices which can be attached to each end of a telephone line for data transmission and which promises error-free information flow has been launched by Motorola Information Systems, a recently formed Motorola company, in the UK.

These error control units, as Motorola calls them, are a variation on the automatic retransmission on error (ARQ) theme. A copy of the data sent is held at the transmitting end in the buffer memory. Blocks of data which have not been received correctly — a checking package is sent with each data unit — within a certain time are retransmitted until the data is successfully received.

The units, which cost £395, are intended for systems where there is a check-out ARO facility: IBM, ICL, DEC, Wang and other equipment can be attached.

THE ARTS

Korean music/Albert Hall

Andrew Clements

AN EVENING of non-Western music has happily become a regular feature of the Proms season during the Pousonby era.

There have been two all night concerts of North Indian music and a visit from a Gamelan ensemble in the last three years, and on Saturday, after the Philharmonia Orchestra had departed, the stage was cleared for Yullyo Akhoe, a group of three dancers and eight multi-talented musicians from the National Classical Music Institute in Seoul, Korea.



Lee Kyo Joo

Korean music is customarily divided nowadays into court and folk music, though each of these categories has its own sub-divisions. The Yullyo music society presented a programme that surveyed as many aspects of its repertoire as could be included in 90 minutes, much of it illuminated by a succession of eye-catching costumes and the elegant trio of dancers.

in triple time. Yet any sense of repetition is countered by the wide range of ornament and inflection that is added by the performers, giving the results an elasticity of pitch and rhythm that makes transcription into Western notation very difficult. What also is difficult to convey, is the sheer physical weight that much of it carries, particularly the wild parrying of the bamboo flute and the curling edge to the military march with which the programme began.

Jeffrey Tate/Barbican Hall

Dominic Gill

Jeffrey Tate's conducting has already been a notable feature of two Etcetera Chamber Orchestra seasons, but his concert with the LSO on Saturday marked his debut in a full-length programme with a major symphony orchestra. It was an exhilarating occasion. The evening was all about the music and Tate's account of the seventh symphony in particular confirmed all our expectations that he might prove to be a Beethovenian of quite exceptional stature.

The evening's most insistent resonance, which was of every performance, was of Klemperer—the very serious clarity of Tate's treatment invites the parallel, and his open, direct and unfussy, but meticulously detailed, working of every phrase, which would confirm its aptness. His tempo for the first movement of the seventh was not exactly Klemperer's, but the manner had an unmistakable Klemperer stamp: a slow, powerful momentum to the poco sostenuto—the only speed at which the ghostly wind sforzando which accompany the rising string scales actually mean anything, the important force being observed in the whole movement wound, but without the least trace of frenzy, on a dark, relentless spring.

There was a wonderful sense of unalterable, onward-flowing pulse to the allegretto—the clarity of the music, the clarity of Tate's expressive rubato, so firmly underpinned as they are, make them particularly easy to follow. The scherzo was driven in a hard glass, the sunlight, bright and sharply drawn. The finale had irresistible rhythmic spring, as well as unflagging energy and impetus: the pace wasn't fast, but the movement all the same left me breathless. The performance before the interval of Beethoven's fourth

plano concerto with Stephen Bishop-Kovacic was spiritually an unequal partnership. Bishop's first movement was nervous and seriously over-pedalled. He pushed the music forward generally with the bright, sparkling efficiency of the virtuoso, and generally in the andante—but clouding even that with careless phrasing. Tate proved an exemplary accompanist, pulling back Bishop's over-hasty tempos wherever he could—an orchestral contribution to the fourth concerto for once more finely nuanced than the solo part. The LSO have not had a Beethoven conductor as honest, effective and exciting as this for years.

A City of London Festival concert the previous evening at the Guildhall Old Library was a 10-minute essay for 13 solo strings arising out of material from his recent (but still unperformed and un-screened) television opera *Yan, Yan, Tetter*. The players were the Polish Chamber Orchestra under Jerzy Maksymiuk—at their best no virtuoso band, but here almost wholly at sea in Birnstiel's dense and rhythmically complex figurations. The manager perhaps half the notes—and really no more than a blurred sketch of the whole effect of the piece, whose dramatic pacing, on paper, has a brilliant, steely precision, and whose texture is feverishly busy, but never clouded. The broad thrust is too clear and too cogent to be confusing. It is essentially no more than a fragment; but even so drably played, it whets the appetite powerfully for the major work it prefigures.

Architecture/Colin Amery

Designing women



A-la-Roade, Exmouth, an early essay in female design.

the role of women in the design process. I felt then, and I feel now, that architecture is far too important to be left to men.

What are the gifts that women could bring to architecture? First of all, immense practicality, an understanding of how people feel using certain kinds of places. Secondly, in their very female nature, a profound sense of comfort. Home-making is not to be despised in men or women and in the future I am certain that both men and many women will be spending more time in the home.

Women should not despise the domestic realm, it is the very basis of our lives. I have never been convinced that women are more caring and

sensitive than men—it is just that others are more caring than some in both sexes. Designing buildings should be a shared task between men and women.

When I visit any architect's office I am very conscious of the subservient role played by women. The presence of a woman partner is extremely rare and almost of the female staff are confined to the secretarial role or work in the library or take on the public relations. It is amazing that women put up with it. What a difference they could make to the hellish class-consciousness of the average building site.

The crucial differences between those who build in all weathers and those who swan about in their slick offices is

something that no woman would allow to continue. The women architects should have the jobs in the profession. There would improve housing conditions, with making life more tolerable for the mother and child, with a spread of domestic values in the pointlessly differentiated worlds of work and home.

This exhibition is also in many ways pathetic. It should not be worrying about charting the slow development of the woman's role in designing buildings. It should have been a cri de coeur for an equal share of the designers' cake. Of course, it is interesting to see that Lady W. X. Y or Z had a role in this or that country house but much more to the point is the role of the reforming 19th century women who wanted to use their influence to improve the lot of the poor and develop the public welfare sector.

Octavia Hill, Elizabeth Denby, Judith Leadebor show in their careers that health and hygiene reforms led to further improvements in design and paved the way for women to become designers themselves.

Some men are arrogant enough to think that women cannot be artists as builders. Well the very first house by Jane and Mary Parmenter, a-je office I am very conscious of the subservient role played by women. The presence of a woman partner is extremely rare and almost of the female staff are confined to the secretarial role or work in the library or take on the public relations.

The exhibition should be seen and the catalogue is useful. But I came away feeling that women should be hammering at the doors of the architectural schools rather than lurking in Puriland Place. The architectural profession needs you, and the need is urgent.

Opening of the Proms

Max Loppert

The Albert Hall treated audiences at the opening concert of the 90th Prom season to its usual warm embrace, slightly heavy-handed as ever (one forgets how many varieties of offstage disturbances can be here demonstrated during quiet music, or how indifferent hall staff appear to be to flash photographers) yet simultaneously gladdening to experience. Something wholly ungladdening, however, has befallen its colour scheme: to the plum and crimson of walls and seats there has been added a hideously jarring new complement of butterscotch platform curtains and panels, and an organ lighting scheme in bilious yellow and peacock blue. Perhaps it was all designed to make television viewers feel at home. Camera crews were active at both Friday's and Saturday's orchestral concerts—but for their live equivalent it risks sustained eyecore.

These first two concerts were devoted entirely to English music of this century—Elgar, Walton, Holst, mostly in their most popular and crowd-pleasing vein, with only Vaughan Williams' London Symphony to provide the longest-lasting exception to that rule. No harm in that: works like *Belshazzar's Feast* and *The Planets* always come into their own in this grandly sonorous space, and when performed, as here, with grandly controlled enthusiasm unattained by the least hint of Festival Hall routine, tingle to such fresh life that complaints about the obviousness of the male action wither away.

Friday's concert, by the BBC Symphony under John Pritchard, was redeemed from every kind of routine by being a rare instance of consensual excellence for which John had roused himself to the form of which he is capable (and

which he so seldom displays). The performances of the *London Symphony* and the *Elgar Sea Pictures* (in which Janet Baker achieved marvels of delicacy with reduced vocal means) were beautifully natural in their gait, their flow of paragraph, their characterisation. Not a false step was taken, not an accent forced or slurred, and in the Vaughan Williams, the soft playing was of a quality to make the whole work seem less rambling than usual. *Belshazzar's Feast*, with a huge choir combining BBC and LSO, seemed to have the same feeling of unhurried control, with the proper virtuosity to complete it—the J. Arthur Rank side of Walton's spectacle was brought off with disarmingly fair. Stephen Roberts, a mannered, lightweight solo baritone, was the nearest approach to a weakness.

Saturday's provision of Walton and Holst was supplied by the Philharmonia under Bernard Haitink, whose slow but persistent survey of 20th century English composers is one of the things for which one so much admires him. In the best way, his reading of *The Planets*, orchestrally brilliant, was "international." As a Debussy conductor with few rivals Haitink is ideally placed to make a full roast-beef meal out of the middle section of "Jupiter," the Bringer of Jollity." Walton's *Crown Imperial* had opened the concert, striking Walton's best public manner; but the Violin Concerto, which followed, and which was given (despite rare accompaniment) with note-perfect dullness by soloists, was brought off with a striking manner at all except the cleverly calculating and synthetic.

Wild Honey/Lyttelton

Michael Coveney



The play's true free spirit: Anna Petrovna played by Charlotte Cornwell.

four beautifully organised acts that casts equal credit on Chekhov and his adaptor. As in the later plays, the particular spell and depth of the comedy comes in part from the fact that everyone knows quite a lot about each other.

Not necessarily, though, about each other's activities. Platonov is toying with the affections of four women; his loyal, plump little wife (Heather Tobias), the childhood sweetheart Sofya (Elizabeth Gervey) whose first question is "Why haven't you done better?" and the little chemistry student Gekova (Abigail McKern).

What McKellen brilliantly combines in this sense of someone fully aware of how deeply he hurts people but simultaneously at a loss to explain himself. He calls Sofya's husband a marvellous performer, and by Nicholas Jones) a moral pygmy and proceeds to behave in just such a manner himself.

The translation seems to me to manage an exact balance between ludicrous moralising (questions of Life and Death, where are we going and so on,

physical explosion and that familiar Chekhovian tapestry of misunderstandings, sudden tears and stifled hopes. For the first two acts Christopher Morahan's superb production offers a familiar new play.

Then the particular tone of this piece is turned to amazingly fertile advantage by Frayn. We do indeed have a real railway line, and a train. But the jejune incidents on and around the railway line are concentrated into fresh minded farce by an expert hand.

Book review

Clement Crisp

Men Dancing, published by Weidenfeld and Nicolson at £15, is a tribute both to the theatrical tradition and to the qualities of the late Nigel Gosling as critic and commentator on dance. As the pseudonymous Alexander Blain of the *Observer* has provided with his wife, the illustrious Rambert dancer Maude Lloyd, weekly criticism wherein elegance and generosity of spirit were matched by sharpness of visual perception. (Nigel Gosling was, significantly, also his paper's Art critic). His book about male dancing was in preparation during his last illness and it had been completed with some extra material by my distinguished colleague, John Percival. There results an illuminating collection of essays and portrait-studies that chart the re-emergence of the male as a vital and often dominant figure in today's theatre dance after a century and a half when men had been largely consigned to mime roles or a dim function as fetcher and carrier of ballerinas.

The decline in male dancing dates from the emergence of the Romantic ballerina in the 1830s when a flight from any sort of reality or sexual equality on stage was sparked off by the concentration on point work for the ballerina and idiot libretti which stressed the most fantastic and improbable identity for the female dancer.

Men Dancing provides both an historical background and a consideration of the greatest dancers of our century, from Nijinsky to Baryshnikov; and it includes the dancer who is arguably the most influential of them all and certainly one of the most gifted: Fred Astaire. Uniquely, too, his genius—for it is genius—will remain secure for posterity in the medium for which it was conceived: no other great dancer can know this sort of immortality.

Accompanying the text is an extensive and well-chosen collection of photographs, excellently reproduced in a volume whose design is airy, bright in definition. The pages are as appealing to the eye as the text is to the mind.

"Forty Years On" transfers Alan Bennett's comedy, *Forty Years On*, which received excellent notices in *Chichester* where it has just finished a sell-out season, is to transfer to the Queen's Theatre on August 13 (7 pm) with previews from July 27. Paul Eddington leads the cast as the harassed headmaster of Albion House, a rundown public school on the South Downs.

Arts Guide

Music

VIENNA
Sinfonietta Philharmonica Orchestra conducted by Hans Zemanek, Wagner and Beethoven (Tue); conducted by James Kullak with Hiro Kurosaki, violin, Uli and Brahms (Thu), City Hall Arcade Court, (42500).
Gottswald Chamber Orchestra: Haydn, Bach, Mozart and Hindemith, Schönbrunn Palace (Wed).
Per Arts Duo: Raimund Trimmel, cello, and Alfred Wittenberger, guitar, Bach, Handel and Vivaldi (Thu), Rosendorfer Saal, Grabenstammberg-Gasse 14, (65951).

Paul Odette Intz: English virginalists Dowland, Wilder, Byrd, Holborn (Wed 6.30pm), Musée Caroussel, 23 Rue Sevigne.
The Chillingian Quartet: Haydn, Michael Phillips, Schubert (Thu 8.30pm), Saint-Severin Church, Metro Saint-Michel. All the above are part of the Paris Festival Estival (549 1463 Tue to Sat 10am till 7pm - 225-225 Mon to Sat 11am till 7pm).
Paul Klement: Choir and orchestra, Nicolo Zabaleta, harp, Handel, Boieldieu, Debussy, Vivaldi (Tue 9pm), Saint-Severin Church (633 8761).

LONDON
Chamber Orchestra of Europe conducted by Alexander Schmidt with Tamas Vasary, piano, Dvorak, Schumann and Mozart, Barbican Hall (Mon), (236 2801).
Noye's Fladdie with City of London Sinfonietta and soloists conducted by Richard Hickox, St. Andrew's Church, Holborn Circus, (Tue and Wed, 6.30pm and 8.30pm), (236 2801).
Iona Brown, violin, Timothy Brown, horn and Ian Brown, piano. Beethoven, Franck and Brahms, Ten Trinity Square, EC3 (Tue), (236 2801).
Helen Singers and Guildhall String Ensemble and soloists conducted by Hilary Davan Wetton, Dankworth world premiere, Bliss and Durufle, Merchant Taylors Hall, Threadneedle Street, (236 2801), (Tue).
William Bennett, flute and Martia Robles, harp, Baroque programme, Ten Trinity Square, EC3, (Wed), (236 2801).

NEW YORK
New York Philharmonic: Free open-air concert in various New York city parks. Opens its 20th season with James DePreist conducting Barber, Haydn, Tchaikovsky, Grieg, Liszt, Central Park (Tue) & Crocheron Park, Queens (Wed), (877 2011).
New York Choral Society (Cami Hall): Midway through the 84th Summer of Singing, Owen Gould conducts the West Village Choral in a programme of Handel and Haydn (Tue) while Harold Rosebaum conducts the Canticum Novum Singers in a programme of Mozart and Haydn (Thu), 57th & 7th Ave (873 0096).

CHICAGO
Revival Festival: Beaux Arts Trio, Isidore Cohen, violin, Bernard Greenhouse cello, Menahem Pressler, piano. All Beethoven programmes (Mon, Tue); Chicago Symphonies: Kurt Masur conducting, Lola Jones mezzo-soprano, Werner Klemperer narrator. All-Beethoven programme (Thu), Highland Park (728 4642).

BASE LENDING RATES

| | | | |
|---------------------------|-----|---|------|
| A.B.N. Bank | 12% | Hill Samuel | 112% |
| Allied Irish Bank | 12% | C. Hoare & Co. | 12% |
| Amro Bank | 12% | Hongkong & Shanghai | 12% |
| Bank of America | 12% | Kingsnorth Trust Ltd. | 10% |
| Bank of Australia | 12% | Knowsley & Co. Ltd. | 12% |
| Bank of Canada | 12% | Lloyds Bank | 12% |
| Bank of China | 12% | Mallinhal Limited | 12% |
| Bank of India | 12% | Edward Hanson & Co. | 12% |
| Bank of Japan | 12% | Messers and Sons Ltd. | 12% |
| Bank of Korea | 12% | Midland Bank | 12% |
| Bank of Malaya | 12% | Morgan Grenfell | 12% |
| Bank of Mexico | 12% | National Bank of Kuwait | 12% |
| Bank of New Zealand | 12% | National Girobank | 12% |
| Bank of Oman | 12% | National Westminster | 12% |
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| Bank of Tonga | 12% | Standard Chartered | 112% |
| Bank of Trinidad | 12% | Trade Dev. Bank | 12% |
| Bank of Vanuatu | 12% | TCB | 12% |
| Bank of West Indies | 12% | Trustee Savings Bank | 12% |
| Bank of Yugoslavia | 12% | United Bank of Kuwait | 12% |
| Bank of Zambia | 12% | United Bank of London | 12% |
| Bank of Zimbabwe | 12% | United Mizrab Bank | 12% |
| Bank of the Caribbean | 12% | Volkskas Limited | 12% |
| Bank of the Middle East | 12% | Westpac Banking Corp. | 12% |
| Bank of the Pacific | 12% | Whiteaway Laidlaw | 12% |
| Bank of the South Pacific | 12% | Williams & Girtz | 12% |
| Bank of the West Indies | 12% | Wittrust Secs. Ltd. | 12% |
| Bank of the West Indies | 12% | Yorkshire Bank | 12% |
| Bank of the West Indies | 12% | Member of the Accepting Houses Committee. | |
| Bank of the West Indies | 12% | 7-day deposits 8.75% 1-month | |
| Bank of the West Indies | 12% | First Nat. Fin. Corp. | 11% |
| Bank of the West Indies | 12% | 10.75% \$10,000, 12 months 11% | |
| Bank of the West Indies | 12% | 7 day deposits on sums of under | |
| Bank of the West Indies | 12% | \$10,000 8.75% \$10,000 up to | |
| Bank of the West Indies | 12% | \$4,000 9.4% \$50,000 and over 10% | |
| Bank of the West Indies | 12% | Call deposits £1,000 and over 8% | |
| Bank of the West Indies | 12% | 21-day deposits over £1,000 8.5% | |
| Bank of the West Indies | 12% | Domestic base rate. | |
| Bank of the West Indies | 12% | Mortgage base rate. | |

FOREIGN AFFAIRS

Jacques Delors' dilemma

By Ian Davidson

EVERYBODY is very pleased at the choice of Jacques Delors to be the next president of the European Commission in Brussels. Well, almost everybody. The Belgian Viscount Davignon, for one, would not have minded the job himself, and until M Delors' name was put forward, looked much the most plausible candidate in the field.

Still, fair to say. In a Community as disunited as this, it is inevitable that the plum jobs are allocated in much the same way as the policy issues are decided: partly on the merits of the case, but more on the basis of national leverage.

Each of the three Benelux countries has had the presidency once, and so has each of the big four—Germany, France, Italy and Britain. It was generally accepted that the Germans, who had provided the Commission president in 1958, in the person of Walter Hallstein, were now entitled to another turn; but since they could not come up with a plausible candidate, the field was open to the strong tradition of merit and leverage. The strength of France's claim as a big country to a second turn, combined with the credentials of Jacques Delors as a leading French minister, made it an open-and-shut case.

But is it important to anyone except Jacques Delors? Does it much matter who occupies the well-padded seats in Brussels? In the early days of the Community, one would have automatically assumed that the answer to the question must be yes, because of the Commission's role in the Community's decision-making process. Although the Council of Ministers takes all the important decisions, the Rome Treaty gives the Commission the exclusive right to put forward proposals for debate and decision. According to the book, therefore, the Commission must have a very important role, and it must be important who occupies the presidency.

In practice, however, the record of a quarter of a century of Community history suggests that the formal position only corresponds to the real position in certain circumstances. The importance of the Commission and the influence of its president, vary according to the

general health of the Community.

In its 26 years, the Commission has had seven presidents. Only one of them could be described as really successful, in that he presided over a period of major influence for the Commission and steady progress for the Community. That was Walter Hallstein, who held the job from 1958 to 1967. Roy Jenkins (1977-1981) registered a partial success, since he helped launch the European Monetary System in 1979, the first significant policy innovation in the Community since 1967. But otherwise, Commission presidents have departed without leaving much trace behind them.

This is not an indictment of the various presidents. It is a symptom of the state of the Community when they held the job.

Perhaps even Jean Rey of Belgium, who held it in 1967-70, was not successful because of the strength of his performance as the Community's top negotiator in the Kennedy Round of trade negotiations in Gatt. Perhaps it was eccentric to have appointed Franco Malfatti (1970-72), of whom nothing can now be remembered. Perhaps Gaston Thorn, the present incumbent, projects too vividly a sense of political weakness which may be an inevitable side-effect of his being a Luxembourgier.

On balance, the record of relative success or failure of Commission presidents has had far less to do with their personal qualities than with the constellation of political forces in the national capitals.

Walter Hallstein benefited from the most favourable constellation of circumstances. The general climate was one of euphoria and hope that the new enterprise would reinforce the earlier experiment of the European Coal and Steel Community and compensate for the collapse of the European Defence Community project. Second, and perhaps just as important, the Rome Treaty laid down hard-and-fast targets and deadlines for the first steps towards the creation of a common market; there was plenty of room for haggling and leeway at the margin, for example over the formulation of the common agricultural policy; but on the whole the Commission was operating safely inside the



M Delors at the EEC Commission headquarters

trammings of explicit obligations laid down by the Rome Treaty. Hallstein's successors had neither of these advantages. The return to power in 1958 of General de Gaulle was an immediate threat to the euphoria of those who hoped that the Community's institutional arrangements—the independent role of the Commission, the provision for progress towards more majority voting in the Council of Ministers—were a blueprint for movement towards a potentially confederal Europe; the threat became manifest with the French veto on British membership in 1963, and lethal with the 1965-66 crisis over majority voting and Community financing.

Secondly, by the end of the 1960s, the trammings of strict treaty targets and deadlines had petered out. Either the member states had carried out their obligations (the customs union),

or they had made it plain that they were not going to (a free market in financial and other services); from now on, further progress depended on improvisation, imagination, persuasion and goodwill—and the legacy of de Gaulle ensured that there was no goodwill, at least not enough to overcome the illusions of national vested interests.

Roy Jenkins benefited from luck and good judgment: luck in the shape of the close alliance between Giscard d'Estaing and Helmut Schmidt, and good judgment in spotting that they could be interested in strengthening currency co-ordination between the member states, despite the opposition of the Bundesbank.

In the five years since the European Monetary System was launched, the Community has been largely preoccupied with the steadily mounting crisis over finance, the costs of the farm policy and Britain's bud-

getary complaints. The important feature of this crisis, from Jacques Delors' point of view, is that influence over events has steadily seeped away from the Commission to the member states, implicitly at the Stuttgart summit a year ago, explicitly since President Mitterrand gathered the reins of the negotiations into his own hands at the beginning of this year, as an extension of the French tenure of the presidency of the Community.

It may well be asked whether the erosion of Commission influence is by now irreversible, but there is a sense in which the question misses the point, because it is based on the old illusion that the Commission was ever the motor for progress. In the uncharted waters facing the Community now, the objectives can only be fixed by the member states; if they, or at least the biggest of them, reach a consensus on where they want the enterprise to go, that is where it will go—probably.

So the question facing Jacques Delors is whether he can have the luck and good judgment of Roy Jenkins, to identify an idea whose hour has come or a strategy that fits the mood of the times, so that he can have some achievement to mark on his curriculum vitae when he returns to French politics. His dilemma is that most of the familiar horses in the stable are either clapped-out nags which ought to be put down, or else recalcitrant brutes which could damage the political health of anyone who tried to ride them. There may only be two promising strategies; but the first risks flying in the face of received Community dogma, and both of them risk leaving the Commission on the sidelines.

There is no future in any policy which involves spending large amounts of money; the budget simply will not run to it, the common agricultural policy will be a cause of pain and grief for years to come, and the regional and social funds can only have marginal effects. A revival of the idea of economic and monetary union looks glamorous and ambitious, but it touches the question of national sovereignty on the quick in every capital. Joint hi-tech research programmes, such as the Esprit project for information technology, could have a certain fashionable appeal, but it is probably not a horse to

put a lot of money on.

By contrast, the most promising strategy, and the one that appears in principle to command the widest acceptance, would be the reduction or removal of the many remaining obstacles to trade in goods and services between the member states. This horse is likely to run best if it is not hobbled by laborious and much-ridiculed efforts of Community harmonisation, eg on the poise of lawn-mowers or the ingredients of Euro-beer. France and Germany have set one example of the kind of thing to be aimed at, by reducing formalities at their common frontier: Britain, on the other hand, by its attempt to bust the European air fares cartel through a deal with Holland. The case for a multi-speed Europe of this kind is that the process of liberalisation cannot be held up on any given issue by the most protectionist member state: by analogy, it is akin to majority voting in action rather than round the conference table. The trouble is that it infringes all Community orthodoxy, and unless it forces recalcitrant member states to reconsider their protectionisms, it will do the Commission out of a job.

The other plausible European strategy is one which starts, not with the nuts-and-bolts at the bottom, but with the common political objectives of the member states at the top. This is very much the British Government's formulation in its recent policy paper to the other member states: Europe must work towards a common foreign policy; Europe must strengthen its contribution to its own defence; therefore, Europe must co-operate in defence procurement and resource allocation; therefore, Europe must strengthen its industrial and technological base through the liberalisation of the internal market.

There is no necessary conflict between liberalisation *à la carte*, and defence and foreign policy co-ordination. On the contrary, the former is likely to be facilitated if there is a big push from the political imperatives—if enough of the big governments see the political imperatives the same way. But if the European enterprise were to move along these two axes, Jacques Delors might be left to preside over the containment of the farm policy and the run-down of the steel industry.

Lombard High time to fight back

By Samuel Brittan

THERE IS one issue which dwarfs all others in the miners' strike. This is the use of violence and intimidation by a militant minority to terrorise fellow workers who do not wish to follow the lead of Arthur Scargill. Thanks to embattled lines of police, Nottinghamshire miners have been able to work. But despite the welcome use of special police patrols and the drafting of stipendiary magistrates to speed up the trial of those accused of violent behaviour, fear and terrorism have not disappeared. Only last Friday a coroner reported on the suicide of a working miner whose daughter had been threatened. Nor is the violence on the part of the strike-breaking truck drivers any more welcome.

The sight of Neil Kinnock and Arthur Scargill embracing happily on the same platform has convinced me no "cease from mental strife" to ensure that Labour as now constituted, should never again form the government of Britain; and I am disturbed that academics and merchant bankers whom I respect as individuals should not have burned their boats with Labour as a result of its wholehearted identification with Scargill.

The main issue is not one of heavily loss-making pits or of the economic effect of unions about which I wrote on Thursday. It is to show, in Gladstone's words after the Phoenix Park murders, that the "resources of civilisation are not at an end."

It is no longer possible to cop out of the issue "Who governs Britain?" first raised by Scargill when he stopped the movement of coal from the Saitley coke depot in 1972. The trouble is that the Government has been fighting with one hand behind its back. The time for "sitting out" violence is over. I have four specific suggestions, none original, some of which ministers are very belatedly showing signs of adopting.

There is no way in which the Government can avoid the final say in the decision of a national industry losing hundreds of millions of pounds.

Once the Government admits its involvement, there can be no excuse for tolerating inept coal board propaganda or "sources within the board" who brief the media. Board publicity should be of a more professional standard than the advertisements which a friend of mine in the field called "mind-bogglingly boring" and then faulted every point. And it should not be left to MacGregor's television skills, or lack of them, to combat the instant access to that medium, which Scargill has been so un-

Second, instead of sanctioning particular deals, the Government should permit the free import of coal now and for ever.

Third, a start should be made on the closing of uneconomic mines, together with payment of redundancy money to miners who accept it, even if they are on strike.

Fourth, the green light needs to be given to any concerned, nationalist or other, which wants to take any union to court for secondary picketing. Far more people are alienated by the Government's apparent lack of confidence in its own legislation than would be by the supposed provocation of using the law of the land.

Nor should legal action be confined to the civil side. If there is no way of bringing to trial the instigators of violence at the highest level there is something wrong either with the criminal code, or more probably with those who advise on its enforcement.

Mrs Thatcher would do well to remind her ministers, advisers, publicists and others of President Kennedy's dictum: that extremism against evil is itself no evil. She might then recall the words which Shakespeare gave Henry V before Agincourt: "He which hath no stomach to this fight, let him depart; his passport shall be made, And crowns for convoy put into his purse."

Selling-off Jaguar

From Mr N. Falconer
Sir—BL shareholders are being asked to approve the sell-off of Jaguar. They should ask what is in this for their company.

The only rationale for selling a productive asset is that its price can be employed to better advantage elsewhere in the business. So, what are the figures?

A price of £300m has been suggested. With the markets in decline, with the underwriters' fingers burned in other recent privatisations, with the imperative for a good run-in to the British Telecom issue, this looks distinctly over-high. Certainly it implies profits of £80m this year, and on a rising trend. After expenses, this would leave BL with £250m.

Or would it? Mr Tebbit has made it clear that part of the deal is that BL does not draw £100m of government support, which is promised otherwise. So BL would gain only £150m by selling Jaguar.

Sir Austin Bide must explain how he proposes to deploy £150m to earn £80m—plus a return of 43 per cent—and how this squares with the zero return he rates so highly on the £2.25bn of taxpayers' money BL has absorbed across the past nine years. Failing that, the story statement of this nature, it must be suspected that the sale of Jaguar forwards only the privatisation policies of the Government, the majority shareholders, and that Sir, may be a fraud on the minority—but who can afford to sue a state?

Noel Falconer,
203, Bramhall Moor Lane,
Hazel Grove,
Stockport.

Letters to the Editor

Golden Circle holidays are up by 16.8 per cent on last year. Excluding sales made in Northern Ireland and Eire and overseas markets, our sales are still up by 8.6 per cent on 1983. It is important that when information of this nature is published, that it is accurate and does not give a misleading impression.

S. F. Robin,
200 Tottenham Court Road, W1.

Retrospective legislation

From Mr D. Kidd
Sir—The historian Edward Gibbon noted that "the discretion of the judge is the first step to tyranny." Similarly the legal historian F. W. Maitland wrote "We feel ourselves least free when we know that restraints may at any moment be placed on any of our actions, and yet we cannot anticipate these restraints. . . . Known general laws, however bad, interfere less with freedom than decisions based on no previously known rule."

It is in the perspective of these illustrious historians that the decision in *Furniss v Dawson* may best be judged. The legal historian F. W. Maitland wrote "We feel ourselves least free when we know that restraints may at any moment be placed on any of our actions, and yet we cannot anticipate these restraints. . . . Known general laws, however bad, interfere less with freedom than decisions based on no previously known rule." It is in the perspective of these illustrious historians that the decision in *Furniss v Dawson* may best be judged. The legal historian F. W. Maitland wrote "We feel ourselves least free when we know that restraints may at any moment be placed on any of our actions, and yet we cannot anticipate these restraints. . . . Known general laws, however bad, interfere less with freedom than decisions based on no previously known rule." It is in the perspective of these illustrious historians that the decision in *Furniss v Dawson* may best be judged. The legal historian F. W. Maitland wrote "We feel ourselves least free when we know that restraints may at any moment be placed on any of our actions, and yet we cannot anticipate these restraints. . . . Known general laws, however bad, interfere less with freedom than decisions based on no previously known rule."

Purpose of obscenity

From Margaret Wilkinson.
Sir—I read with interest Max Wilkinson's Lombard column "The purpose of obscenity" (July 13). I too have been puzzled about the omission of data from the Public Expenditure White Paper. The last two White Papers have excluded, without explanation, the cost to the Exchequer of the option mortgage scheme. Up to and including 1982 the figure was given; the 1983 White Paper showed the cost of the scheme to be £300m (for 1982-1983), and this figure contributed to total public expenditure on housing of £3.48bn. Now that a figure for the cost of option mortgages no longer appears in the housing total does it mean that it is no longer part of public expenditure? Or does it appear elsewhere?

I do not know the answers to these questions but I have strong suspicions about the reason for the omission—and it is not that it is to give the appearance of reduced public expenditure, though this is no doubt a side effect welcomed by the government. In recent years many individuals and institutions have been pressing for various kinds of "tax expenditures" (public revenue losses resulting from special reliefs to particular categories of tax payer) to be included alongside similar direct public expenditure. An important tax expenditure is mortgage interest tax relief, currently costing the Exchequer £2.75bn, and having exactly the same effect on the

size of the public sector borrowing requirement as any direct expenditure on housing. Those in favour of a budget which includes this "expenditure" point to the option mortgage scheme to support their case. For example, "mortgage interest tax relief" is clearly income foregone by the Exchequer, and, in effect, a direct subsidy to owner occupiers, and as the option mortgage scheme is included in the White Paper, its (mortgage interest relief's) current exclusion appears to be inappropriate." (Memorandum by the Institute of Housing, The Association of District Councils and the regional and social funds of Public Finance and Accountancy make exactly the same point. I think that they will be surprised at the result of their appeals for the equality of treatment between tax relief and mortgage subsidy.

Margaret Wilkinson,
School of Social Sciences,
University of Bradford,
Bradford, W. Yorks.

Misplaced solidarity

From Mr P. Bottomley MP
Sir—The letter (July 19) from the chairman and secretary of the Transport and General Workers Union Parliamentary Group implicitly admits that the docks dispute was about the Immingham situation. Like the T&GWU generally, they fail totally to recognise that the union also represents thousands of lorry drivers who were stranded by the ruthless and unjustified dock strike. The moral, industrial and political bankruptcy of the "official" Labour movement and its sponsored MPs is shown by their own assertion that not one of them can see that dockers' jobs and long-term employment were threatened by this strike.

Who represents the real interests of the docks? Who is concerned for others in the transport industries? Who cares for the customers and the general economic well-being of our country? As a Parliamentary member of the T&GWU, I believe that Delors' union is free from its special unilateral ties to one political party, the better it will look after the common interests of all its members and the more it will contribute to generating the wealth that creates the real basis for improved pay and conditions, more jobs, and a proper observance of disputes and grievance procedures.

At present the nation is seeing misplaced solidarity and blind destructiveness. Peter Bottomley,
House of Commons, SW1.

Advertisement for the Honda Accord. The top part features the text "THE NEW GENERATION ACCORD" in large, bold letters. Below this is a detailed illustration of the Honda Accord car, shown from a three-quarter front view. The bottom part of the advertisement contains several paragraphs of text describing the car's features, including its 4 or 5-speed transmissions, fuel economy, and interior space. The text concludes with the slogan "AN OUTSTANDING ILLUSTRATION OF THE CAR MAKER'S ART" and the Honda logo with the tagline "HONDA THE ART OF CAR MAKING." The overall design is clean and professional, typical of a high-quality print advertisement.

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Terry Byland on Wall Street The banks survive on balance

THE ROUND of earnings figures for the second quarter from the big U.S. banks has been greeted with something very like a sigh of relief by Wall Street analysts - and probably by the bankers themselves.

After what Mr Thomas Hanley of Salomon Bros describes as an "emotionally charged" trading period - which has taken in the most recent cliffhanging episode of the Argentine loans saga, and the nose-dive at Continental Illinois, as well as flights to quality in the market for bank certificates of deposit - the quarterly results have passed off without a sign of anxiety.

The most significant aspect of the trading statements was the tougher accounting of the Argentine loans required by the Federal Reserve Board, which most banks chose to apply to second quarter results.

In the event the earnings reductions required gave Wall Street no surprises. Mr Hanley estimates that the \$350m payment from Argentina to cover overvalued interest reduced by about 30 per cent the overall penalty on second quarter earnings. Moreover, he points out that there is a substantial potential for profit recovery to the banks if the International Monetary Fund and Argentina can forge an agreement on future payments.

Setting aside the Latin American loans, the banks have benefited from the continued strength of loan demand in the U.S., which has kept

| Stock | Price \$ | p/e |
|---------------|----------|-----|
| Citicorp | 28 1/2 | 5 |
| Chase | 38 | 4 |
| Bankers Trst. | 39 | 4 |
| Chemical | 24 1/2 | 4 |
| Man. Hanover | 25 1/2 | 3 |

domestic margins in good shape. There was no sign in the bank results of any check to business borrowing in June.

The quarterly statements also comforted Wall Street in other potential problem areas. Foreign exchange trading went better than feared in a period which saw the dollar confounding predictions by continuing its upward surge. Chemical Bank pushed Forex trading profits up 66 per cent to \$13.5m for the three-month period.

Increased loan loss provisions by most of the majors also pleased the analysts. Citicorp, which ran into criticism when its first 1983 results showed buoyant profits on the back of the industry's lowest loan loss ratio, raised this provision 40 per cent in the second quarter.

Bank stocks responded favourably to the quarterly reports although, with the stock market in a state of uncertainty, there was little benefit left showing in stock prices at the end of last week.

The money centre bank stocks have fallen by more than a fifth since the turn of the year, compared with a fall of only 5 per cent in the Standard and Poor's 400 industrial stock index. The regional banks, with less exposure in Latin America, have fared better but nevertheless show falls of 18 per cent or so.

With Wall Street predicting substantial recoveries in profit this year at some banks, the second quarter results may be time for a new look at stock prices.

Mr Hanley, for one, believes that the sector could now be "poised for a trading rally," always assuming that the Continental Illinois rescue can be resolved satisfactorily.

The money centre banks are trading at an average of about six times earnings, compared with the 10.9 times on the S&P 400 index. But this could reflect history rather than the future.

The next six months could be a turning point for bank stocks. The response to the second quarter results indicates that Wall Street believes the known problems have been contained. If the Continental Illinois upset can be left in the hands of the federal authorities then the rest of the U.S. banking industry - and Wall Street - may start to look for the green light.

KINNOCK FACES TESTS OF HIS LEADERSHIP

UK Labour set to scrap Polaris

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

BRITAIN'S opposition Labour Party is set to adopt an unambiguously unilateralist defence policy, which will recommend the immediate scrapping of Britain's Polaris nuclear-armed submarines by a future Labour Government and the cancellation of the Trident missile system. Trident is the replacement for Polaris planned by the Conservative Government.

The policy will be presented in a report to the party's ruling national executive committee on Wednesday, and it is certain to be backed by the party conference in October.

A working party which has been preparing the statement put forward two options for Polaris. The party's international committee earlier this month recommended one option proposing that, on assuming office, Labour would decommission Polaris from service. The rejected alternative was that any decision on the timetable for decommissioning Polaris must depend on the outcome of arms reduction negotiations.

The statement also talks about

the unconditional removal of U.S. nuclear weapons and bases from the UK and the need for the regularisation of other U.S. forces in Britain to ensure a physical British veto over the use of such facilities in the interests of collective security.

The draft document has, however, been criticised by Mr Tony Benn, a leading left-wing MP and others on Labour's far left for still referring to the need for a deterrent and a Soviet threat which they do not believe exists.

The far left also objects to the absence of any pledge to cut conventional defence spending. Indeed, the report says that reductions in the relative level of Britain's defence spending "could not be achieved in the lifetime of a single parliament without major cuts in our conventional forces which we do not recommend."

Apart from Labour's defence policy - an issue which divided the party at the general election last year - Mr Neil Kinnock, the Labour leader, faces other tests of his authority

in his attempt to reunite the party and modernise its appeal since its election defeat.

There has been growing criticism of Mr Kinnock in recent weeks, both from the left wing of the party and from some MPs at Westminster over his alleged ineffectiveness in attacking Mrs Margaret Thatcher, the Prime Minister.

Mr Kinnock, who became party leader last October, will attempt to answer his critics in a House of Commons debate next week on the Government's economic and industrial policy, when he will confront Mrs Thatcher.

The Labour leader also faces a challenge over a proposal, which he backs, to encourage constituency parties to introduce voting by all local members in the reselection of sitting Labour MPs. A row is likely both at Wednesday's meeting of the national executive and at the party conference.

The proposal has sharply divided Labour MPs. About 70 centre-right members have signed a letter backing the one-member-one-vote procedure as a means of reducing the influence of a few activists and of making it slightly easier for sitting MPs to be re-elected. In contrast more than 50 left-wing MPs have backed a letter opposing the plan.

Mr Martin Flannery, a Labour MP for Sheffield, said Mr Kinnock had "reopened a wound almost healed that will cause a quite unnecessary and major split. How sad and inept this is."

The main significance of the proposals is as a test of Mr Kinnock's authority since the changes themselves will be optional and will not save MPs threatened by a determined group of local activists.

There have been reports that 25 or more Labour MPs are under threat, but this is seen as a gross exaggeration by senior Labour members. They argue that the main impact of reselection will not be from the handful of MPs who are dumped, but from the lengthy anxiety to members and the external publicity that the process will cause.

Second plan for Creusot-Loire rescue under attack by unions

BY PAUL BETTS IN PARIS

AN ALTERNATIVE plan to rescue Creusot-Loire, the bankrupt French heavy engineering group, has already drawn fire from the trade unions.

The latest salvage proposals, which would cost FF 2.5bn (\$385m), are being put together by M Hubert Lafont, the official appointed by the Paris commercial tribunal to help find a solution to the affair. M Lafont is now expected to be named by the tribunal as the temporary administrator of the large private group following the resignation last week of M Didier Pinaud-Valecienne, the Creusot-Loire chairman.

M Lafont's plan involves the sale of Creusot-Loire for one symbolic franc to a group of new shareholders

who would form a company to take over the concern. This company could group together Framatome, the French nuclear power plant builder, Fives Cail and Alsthom-Atlantique, the two other large French heavy engineering companies, and nationalised banks.

These are the companies which are at the centre of a separate Creusot-Loire rescue plan being worked out by the French Government. But unlike the government plan, which envisages the establishment of a company to take over the main industrial assets of Creusot-Loire after its liquidation, M Lafont's plan would avoid the need first to liquidate Creusot-Loire.

The new shareholders in M Lafont's plan would inject FF 1.5bn

into the new company while Creusot-Loire's debts to the banks and to Framatome, its 50 per cent held subsidiary which it owes about FF 1.5bn, would be rescheduled.

But the Government has expressed misgivings about this rescue plan, which is apparently more costly than the one it is putting together. For their part, the trade unions have expressed their strong opposition to M Lafont's proposals.

For the pro-Communist CGT union, the latest plan would entail lay-offs and the closure of some of Creusot-Loire activities. The Socialist CPDT union reacted with similar opposition, adding that the Government's own plan was the only credible one although it contained several shortcomings.

Lloyds may offer broking services

By David Lussacelle in London

LLOYDS BANK, the only big UK commercial bank not yet to have joined the financial revolution being undertaken in the City of London, is considering offering discount broking services to its customers.

Discount broking, pioneered in the U.S., is a low-cost, no frills stockbroking service through which investors can execute orders, but without the usual extras, like research and advice.

Though launched by small Wall Street firms after the end of negotiated commissions in the mid-1970s, the business is now dominated by large banks which sell services through their branch networks, and by mail and telephone.

Mr Fred Crawley, Lloyds' new chief general manager who takes over at the end of this month, said that UK stockbrokers had shown interest in providing these services, once broking commissions on the London Stock Exchange become freely negotiated in the next year or two.

Mr Crawley said it was unlikely that Lloyds would be a stockbroker to get into the business, but the bank would need access to the stock market through an arrangement with one or more member firms.

"Our conversations with stockbrokers show that they would like to gain access to our customers," he said. Although Lloyds is the smallest of the Big Four UK commercial banks, it aims at the more affluent end of the banking market and is generally considered to have a more investment-minded clientele.

The discount broking service would be developed alongside a network of financial counselling centres where Lloyds' customers could obtain advice on investment, tax and other money matters from specially trained staff. Lloyds might also offer cash management accounts, which combine savings and investment.

Mr Crawley has spent several years with Lloyds Bank's subsidiary in California, the state where large banks first moved into discount broking.

Although other UK clearing banks have bought direct stakes in the London stock market and want to build up securities operations of their own, some of them are also believed to be looking at discount broking.

Crawley's agenda, Page 6

THE LEX COLUMN

Rights and wrongs of rights

The pre-emption right has a City of London pedigree which ranks alongside those of the fixed commission and the jobber's turn. But while the future of the rights issue looks a good deal less precarious than that of many other time-honoured City practices, the idea of offering new shares to existing holders is increasingly being seen as not quite *a la mode*.

The paper acquisition and subsequent liquidation of an investment trust is only the most fashionable recent stratagem adopted by companies seeking to issue fresh equity without recourse to their shareholders. Multiple vendor placings are fairly common - BOC was a notable culprit in 1982 - and ICI recently introduced a new variation by adding share warrants to a U.S. debt offering.

It may be, however, that the greatest threat of all to the pre-emption right lies just around the corner. The present ferment in the London securities industry will, so the argument runs, throw up operators intent on blasting into the London corporate finance market and in a position to buy whole issues for distribution through their own channels.

ex-rights confusion from share prices and - a telling point, given his readership - enable corporate treasurers to issue shares at their market value.

Mr Donaldson's view will win many sympathisers. Smaller merchant banks are apt to agree, with some justice, that the rights issue acts as a constraint on innovation and a means of protecting cosy client relationships between the leading accepting houses and the heavyweights of British industry. Meanwhile, international companies - ICI is an obvious example - may find the pre-emption right an obstacle to raising fresh equity where and when they please.

Mr Donaldson makes much of the comparison with the U.S. but, in practice, it must be very doubtful whether a shift to the American system of issuing equity would be of benefit to shareholders or, in many cases, to companies themselves.

Leaving commercial criteria aside, the idea of extending the ownership of a company without consulting the existing proprietors is ethically rather questionable. Shareholders would presumably enjoy some protection through their power to prevent the creation of new, unissued capital, but even in that instance, the principle of the pre-emption right would be threatened.

The large institutions, which would in most cases control the majority of the equity, would presumably be ready to approve an increase in authorised capital in the knowledge that they would receive stock in any event through a placing. The smaller shareholder, by contrast, might very well miss out and so suffer asset dilution.

The consequence of a move towards direct equity placing would almost certainly be a further concentration of institutional ownership which, to the Government at least, must be an unappealing prospect. Moreover, it is unlikely that the introduction of, for example,

shelf registration (whereby companies register stock with the authorities in advance and then issue it when they please) would make it easier for companies to raise capital. The present rights issue system makes it possible for companies to raise equity capital even in falling markets. In the U.S., as Reuters discovered, the stock market is more of a fair-weather friend.

Some companies might encounter problems in raising capital, even during a more stable market period. In the U.S., companies are reluctant to issue equity at much below book value for fear of attracting class actions from dissatisfied shareholders - a fact which kept the U.S. banking system short of capital during 1981 and 1982. It is doubtful, for example, whether National Westminster would have managed to raise \$230m from its shareholders last week had it been following the U.S. rule book.

Flexibility

Shelf registration would, by circumventing the Bank of England's new issue queue, allow companies rather more flexibility in their timing and might obviate the kind of disastrous market response which greeted Thorn EMI's rights issue last week. Yet the queue is being operated with increasing finesse by the Bank and does at least prevent the feast and famine problem of, for example, the Eurobond primary market.

Arguably, British companies end up paying too much by way of commission under the present regime. But the fact that National Westminster is the first large company since Glaxo in 1975 to have dispensed with underwriters suggests that companies are not too troubled by commission in any case. In the secondary market, London clearly has much to learn from Wall Street. But the UK new-issue market probably does a better job, both of protecting investors and providing ready access to capital, than its counterpart in New York.

Consultation

The freedom of companies to issue shares is, of course, circumscribed by the Companies Act and the stock exchange listing agreement. Yet companies may already increase their issued equity without consulting their shareholders and the present momentum of change within the City might easily create pressure for the existing rules to be relaxed.

Mr Archie Donaldson, the deputy treasurer of ICI, has recently lent his weight to the argument against pre-emption rights. Expressing a personal view in the latest edition of "The Treasurer," he argues that the abandonment of pre-emption rights would streamline the process of raising new equity, remove the

GEC wins big order from India

By K. K. Sharma in New Delhi and Lynton McLain in London

A £150m (\$198m) CONTRACT to supply four 60.7 megawatt coal-fired steam generators to India has been won by GEC Turbine Generators of the UK. The deal represents one of the biggest British government-funded overseas aid programmes.

The contract will also enable the British group to gain a foothold in the Indian market for power equipment in the face of competition from French and Indian companies.

Up to three quarters of the cost of the generating equipment is to be met by the British Government as capital grant awarded through the Overseas Development Administration.

The balance of the cost of the generators is to be met through loans expected to be supported by the Export Credits Guarantee Department.

The four generating sets are to be installed near the Bharat Aluminium Company (Balco) plant at Korba in Madhya Pradesh state. The new power generating capacity is designed to give the Korba plant security of supply.

The formal contracts are expected to be signed early next week. GEC is likely to be disappointed that the contract was limited largely to the supply of power generation equipment and was not for a turnkey project to build the complete power station.

The power station is to form part of a larger £250m project. The local costs of this larger project at Korba will be met by the Indians themselves.

Sleipner gas deal moves a step closer

BY IAN HARGREAVES IN LONDON

BRITAIN and Norway have moved an important step nearer to completing the £20bn (\$26.4bn) Sleipner gas deal after a meeting between Mr Alick Duchan-Smith, the British Energy Minister, and Mr Kaare Kristiansen, his Norwegian counterpart.

Mr Kristiansen said at the weekend he was confident that agreement could be reached on adjustments to the proposed contract sought by the British Government.

British Gas signed a draft contract with the field's operator, Statoil, in January but the deal has since been held up in Whitehall, where it was decided to reduce peak off-take from the field by about 20 per cent from 38m cubic metres a day to 30m cubic metres a day.

The delay has been the subject of considerable irritation in Norway. Mr Kristiansen has come under strong pressure to resist any softening of terms for the deal, the economics of which are considered to be marginal and which is of great importance in Norway's energy programme.

Friday's meeting - the second between the two ministers in recent weeks - seems to have succeeded in creating a negotiating framework for British Gas and Statoil to reopen talks about the deal's terms. Those originally envisaged a price of about \$2.15 per million British thermal units.

The two governments will also continue to discuss details of a

sovereign treaty associated with the commercial contract. That will cover matters such as the route of the pipeline from the Sleipner field to the UK mainland, the route to be taken by the field's gas condensate and the basis upon which UK companies will be able to tender for work on the Sleipner development.

Statoil, which has taken a hard line on the British attempt to renegotiate the contract, said at the weekend that it was optimistic that agreement could be reached by the autumn.

Originally, Statoil had hoped for full political approval for the deal this spring. A series of deadlines was set, but those have passed without the Norwegians attempting to cancel the contract.

In fact, the gas industry background in recent months has increasingly favoured the British negotiating position as it has become more evident that Western Europe faces heavy competition over supply of natural gas.

The price of internationally traded gas has fallen, making it more difficult for the Norwegians to walk away from their draft deal with Britain.

In the last fortnight, there have been further indications that the Netherlands is again interested in renewing a gas supply contract with British Gas. It is very unlikely that Britain would buy gas from both Norway and the Netherlands at the same time.

UK miners prepared to hold out indefinitely

Continued from Page 1

NCE chairman, to reverse the NUM officials' rejection of the offer last Wednesday.

The miners' position has been weakened, however, by the settling of the dock strike and they are experiencing difficulty in mobilising as many pickets as they could in May and June.

The union co-ordinating committee last week circulated all areas with instructions to concentrate picketing on power stations - a move many area officials feel was long overdue. Few, however, believe sufficient miners will turn out at enough stations to cause a marked reduction in power supply.

Electricity supply is emerging as the main battle area in coming weeks and months. Mr Peter Walker, Energy Minister, yesterday repeated that supplies in power stations were high enough, and sufficiently well distributed, to guarantee uninterrupted power supplies until well next year.

Mr Walker eschewed the political rhetoric of many of his Cabinet colleagues in recent days in favour of a forceful reassertion of the benefits of the deal offered by the NCE, and the remoteness of emergency measures even if the strike were prolonged.

Senior NCE officials are similarly confident that power stations can remain supplied without the use of troops to move coal from strike-bound pits - at least for some months.

Independent airline for China

Continued from Page 1

would not direct the airline's operations and the airline would be challenging CAAC's monopoly on domestic air travel.

The airline expects most of its international passengers to be Chinese returning to visit relatives, tourists and businessmen dealing with Fujian.

Zhao said the plan to establish the airline had been strongly supported by the leadership in Peking after the success of the construction of the new Xiamen airport, which was financed with \$20m in soft loans from Kuwait.

Fujian is a key province in China's strategy to attract foreign investment and introduce advanced technology. It has considerable autonomy in economic planning

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| City | Temp | Wind | Cloud | Pressure | Humidity |
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| Alexandria | 27 | SE 10 | 100 | 1012 | 75 |
| Amman | 21 | SE 10 | 100 | 1012 | 75 |
| Algiers | 30 | SE 10 | 100 | 1012 | 75 |
| Amsterdam | 17 | SE 10 | 100 | 1012 | 75 |
| Antwerp | 17 | SE 10 | 100 | 1012 | 75 |
| Bahia | 23 | SE 10 | 100 | 1012 | 75 |
| Bahra | 32 | SE 10 | 100 | 1012 | 75 |
| Bangkok | 29 | SE 10 | 100 | 1012 | 75 |
| Bombay | 29 | SE 10 | 100 | 1012 | 75 |
| Buenos Aires | 21 | SE 10 | 100 | 1012 | 75 |
| Calcutta | 29 | SE 10 | 100 | 1012 | 75 |
| Cairo | 27 | SE 10 | 100 | 1012 | 75 |
| Cardiff | 17 | SE 10 | 100 | 1012 | 75 |
| Chennai | 29 | SE 10 | 100 | 1012 | 75 |
| Cebu | 29 | SE 10 | 100 | 1012 | 75 |
| Dhaka | 29 | SE 10 | 100 | 1012 | 75 |
| Dublin | 17 | SE 10 | 100 | 1012 | 75 |
| Edinburgh | 17 | SE 10 | 100 | 1012 | 75 |
| Hong Kong | 29 | SE 10 | 100 | 1012 | 75 |
| London | 17 | SE 10 | 100 | 1012 | 75 |
| Los Angeles | 21 | SE 10 | 100 | 1012 | 75 |
| Manila | 29 | SE 10 | 100 | 1012 | 75 |
| Mumbai | 29 | SE 10 | 100 | 1012 | 75 |
| New Delhi | 29 | SE 10 | 100 | 1012 | 75 |
| Paris | 17 | SE 10 | 100 | 1012 | 75 |
| Rangoon | 29 | SE 10 | 100 | 1012 | 75 |
| Singapore | 29 | SE 10 | 100 | 1012 | 75 |
| Tokyo | 21 | SE 10 | 100 | 1012 | 75 |
| Yokohama | 21 | SE 10 | 100 | 1012 | 75 |

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Monday July 23 1984

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BRITISH GOVERNMENT SECURITIES
Focus shifts from labour woes to Washington views

BY PHILIP STEPHENS IN LONDON
"AT LAST I can stop looking over both shoulders at once," said one London trader, as the end of the UK docks dispute reminded the gilt market on Friday that prices occasionally go up as well as down.

Yen syndicated loans find sudden favour

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON
WITH THE dollar syndicated loan market still in the doldrums, it was the turn of Japan to spring into the limelight last week. On Friday Bank of Tokyo announced that it had received a mandate from Canada for a Y120bn (\$490m) credit, the largest yen syndicated loan ever.

Pöhl creates uncertainty over withholding tax

BY MAGGIE URRY IN LONDON
IS THE Euro D-Mark bond market about to be plunged into the same withholding tax trauma that the Eurodollar market has been suffering? Last week Herr Karl Otto Pöhl, the Bundesbank president, called in a television interview for the 25 per cent coupon tax to be abolished.

Table with columns: Borrowers, Amount, Maturity, Av. life years, Coupon, Price, Lead Manager, Offer yield. Includes sections for U.S. DOLLARS, D-MARKS, SWISS FRANCS, AUSTRALIAN DOLLARS, NORWEGIAN KRONE, and YEN.

Advertisement for The Export-Import Bank of Japan. Features the bank's logo and text: 'U.S. \$75,000,000', 'The Export-Import Bank of Japan', '13 1/2% Guaranteed Notes due 1991', and a list of international partner banks.

Advertisement for Rockefeller Group International Finance N.V. Features text: '\$100,000,000', 'Rockefeller Group International Finance N.V.', '13 1/2% Notes Due 1989', and 'The Aetna Casualty and Surety Company'.

UK COMPANY NEWS

Ray Maughan looks at the setback for Future Technology Systems failure hits quotation plans

Future Technology Systems was confidently set for a full Stock Exchange quote, or a flotation on the Unlisted Securities Market next year, but recent confirmation by Coopers & Lybrand that "there has been an almost complete failure of both computer and manual, financial and non-financial systems," means that these plans must be deferred for at least three years.

Trust and Castle Finance provided the important first tranche of outside capital in the following year. There is some divergence of opinion as to what happened next. The company says that the doubters never voiced their fears but the institutions claim that the directors refused to heed the warnings.

Whatever the case, an independent report was eventually commissioned from Coopers and Lybrand and the true facts of the financial position began to emerge. The findings were stark: "Such management reports and board reports as have been produced have not been accurate and have not been based on financial facts," the accountants said.

In particular "there was no adequate schedule of procurement requirements, no adequate schedule of future production for control purposes and, as a result it is uncertain whether existing stocks are appropriate to current production. There was no up-to-date or reliable sales forecast even for the shortest periods and there was no schedule of outstanding sales orders."

On that basis, the entry price would have been 42.6 on a full rate of tax, falling to 15.5 on an annualised rate of second half profitability or a multiple of 7.5 on the estimated tax liability. The customer range included Office and Electronic Machine, Office and Electronic Machine, Office and Electronic Machine, Office and Electronic Machine.

But, by the spring of this year, the investors still had not seen any figures for 1983 and anecdotal evidence from customers suggested to at least two of the institutions that quality control had deteriorated to the point where it was having a severe impact on cash flow.

The accountants stressed that this was very much an interim report and the firm had not been asked to undertake any work on the profit forecasts, overhead evaluation or management information and financial control systems. But the report did show that net worth had been eroded by £1.23m between the beginning of the year and the end of May to show a deficiency on share-

holders' funds of £172,000. The study's cash projections and its queries on debtors and stocks were so pessimistic as to offer investors a very bleak set of alternatives for future action. But, as another interim measure, most of the funds have subscribed to a deeply discounted rights issue, raising £400,000, to provide time for Coopers to complete a full feasibility study.

GOLD FIELDS OF SOUTH AFRICA LIMITED (Incorporated in the Republic of South Africa) ISSUE of up to 5,048,860 Convertible Redeemable Cumulative Preference Shares of 5 cents each

Charter Cons: 'no target' for Hanson Charter Consolidated, the British mining and industrial group, yesterday dismissed as "pure speculation" press suggestions that it might become a target for Hanson Trust, the industrial holding company.

Beazer left with a 16.9% stake after bid for Leech fails

C. E. Beazer (Holdings), the Bath-based construction and housing group, is left with a 16.9 per cent stake in William Leech following the failure of its £21.45m bid for the Newcastle housebuilder.

The board has stoutly resisted Beazer's offer since it was made on May 11. But the William Leech Foundation, a charitable body with a 29.7 per cent holding, looked at one time as if it would be prepared to accept the bid until last week, when Leech's founder exercised his power of veto in respect of the foundations stake.

London and Manchester making steady progress

London and Manchester Group reports steady progress in new life and pensions business, with new annual premiums rising 7 per cent from £10.5m to £11.2m in the first half of 1984 and single premiums up by 80 per cent from £10.7m to £19.2m.

However, new annual premiums on the Home Service Division fell nearly 10 per cent from £8.3m to £7.7m. There was a 6 per cent drop in premiums on industrial branch business from £3.7m to £3.4m, reflecting the withdrawal of life assurance premium relief and a 12 per cent drop in premiums on ordinary branch business to £2.3m, reflecting last year's sales boom in MIRAS-related business.

De Vere agrees £3.8m sale of London premises

De Vere Hotels, which is subject to an agreed bid from Greenall Whitley, will sell its four non-hotel London premises through the Life Broker Division, De Vere's former chairman, will buy the Connaught Rooms, the Mirabelle Restaurant and two Overtons fish restaurants.

De Vere's former chairman, will buy the Connaught Rooms, the Mirabelle Restaurant and two Overtons fish restaurants. De Vere's minority shareholders are being offered 320p in cash for each share, or a share alternative equivalent to 300p. The cash offer values De Vere at £3.8m.

RECENT ISSUES

Table with columns: Issue Price, Amount, Return, 1984 High/Low, Stock, Closing Price, + or -, Net Div., Time to Maturity, Yield, P. or R. Includes entries for 1980 F.P., 1981 F.P., 1982 F.P., etc.

FIXED INTEREST STOCKS

Table with columns: Issue Price, Amount, Return, 1984 High/Low, Stock, Closing Price, + or -. Includes entries for 1981 Borden & S'chem, 1981 Borden & S'chem, etc.

RIGHTS' OFFERS

Table with columns: Issue Price, Amount, Return, 1984 High/Low, Stock, Closing Price, + or -. Includes entries for 50p Nil, 48p Nil, 48p Nil, etc.

BIDS AND DEALS IN BRIEF

Messrs Charlson Sea Dimmock and Co. have been appointed to act on behalf of the minority shareholders of James Austin Steel Holdings, in connection with the proposed acquisition of these shares by Transams Steel Group, which currently owns 96.46 per cent of the issued share capital of Austin.

Granville & Co. Limited

Table with columns: Capitalist, Company, Price, Change, Gross Yield, P/E, Fully Paid. Includes entries for 5000's, 1000's, 500's, etc.

PENDING DIVIDENDS

Table with columns: Date, Announcement, Dividend, Stock, Final Div. Includes entries for Lloyds Bank, Lloyds Bank, etc.

Today's Rates 11 1/4% - 12%

Table with columns: Terms (years), Interest, 31. Includes entries for 3, 4, 5, 6, 7, 8, 9, 10 years.

FINANCIAL TIMES STOCK INDICES

Table with columns: July, High, Low, Since High/Low, Composite. Includes entries for Government Secs, Fixed Interest, Industrial Ord., etc.

F.T. Share Information

The following securities have been added to the FT Share Information Service: Brikat (Section: Electricals), North South Resources (Oil & Gas), Petrolex (Oil & Gas), Reuters B (Industrial), Tuskar Resources (Oil & Gas), Wassall (J. W.) (Drapery & Stores).

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 20

Self in file

Main table of American stock exchange closing prices, listing various stocks with columns for 12-month high/low, stock name, price, and change.

Continued on Page 18

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of New York stock exchange closing prices, listing various stocks with columns for 12-month high/low, stock name, price, and change.

WORLD VALUE OF THE POUND every Tuesday in the Financial Times

Notes: Figures are unofficial. Yearly highs and lows reflect the previous 52 weeks... a-dividend also stated; b-annual rate of dividend plus stock dividend...

WORLD STOCK MARKETS

OVER-THE-COUNTER

Table of over-the-counter stock prices with columns for Stock, Sales, High, Low, Last, and Change.

Nasdaq national market. Closing prices July 20

Nasdaq national market closing prices table with columns for Stock, Sales, High, Low, Last, and Change.

CANADA

Table of Canadian stock prices with columns for Stock, Sales, High, Low, Last, and Change.

AUSTRIA

Table of Austrian stock prices with columns for Stock, Sales, High, Low, Last, and Change.

SWEDEN

Table of Swedish stock prices with columns for Stock, Sales, High, Low, Last, and Change.

HONG KONG

Table of Hong Kong stock prices with columns for Stock, Sales, High, Low, Last, and Change.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Table of American stock exchange closing prices with columns for Stock, High, Low, Last, and Change.

TORONTO Closing prices July 20

Table of Toronto stock closing prices for July 20 with columns for Stock, Sales, High, Low, Last, and Change.

BELGIUM/LUXEMBOURG

Table of Belgium/Luxembourg stock prices with columns for Stock, Sales, High, Low, Last, and Change.

NETHERLANDS

Table of Netherlands stock prices with columns for Stock, Sales, High, Low, Last, and Change.

JAPAN

Table of Japanese stock prices with columns for Stock, Sales, High, Low, Last, and Change.

FRANCE

Table of French stock prices with columns for Stock, Sales, High, Low, Last, and Change.

ITALY

Table of Italian stock prices with columns for Stock, Sales, High, Low, Last, and Change.

SPAIN

Table of Spanish stock prices with columns for Stock, Sales, High, Low, Last, and Change.

GERMANY

Table of German stock prices with columns for Stock, Sales, High, Low, Last, and Change.

AUSTRALIA

Table of Australian stock prices with columns for Stock, Sales, High, Low, Last, and Change.

NEW ZEALAND

Table of New Zealand stock prices with columns for Stock, Sales, High, Low, Last, and Change.

MONTREAL Closing prices July 20

Table of Montreal stock closing prices for July 20 with columns for Stock, Sales, High, Low, Last, and Change.

SWITZERLAND

Table of Swiss stock prices with columns for Stock, Sales, High, Low, Last, and Change.

NORWAY

Table of Norwegian stock prices with columns for Stock, Sales, High, Low, Last, and Change.

SINGAPORE

Table of Singapore stock prices with columns for Stock, Sales, High, Low, Last, and Change.

DENMARK

Table of Danish stock prices with columns for Stock, Sales, High, Low, Last, and Change.

AFRICA

Table of African stock prices with columns for Stock, Sales, High, Low, Last, and Change.

ASIA

Table of Asian stock prices with columns for Stock, Sales, High, Low, Last, and Change.

EUROPE

Table of European stock prices with columns for Stock, Sales, High, Low, Last, and Change.

Continued from Page 17

NOTES: Prices on this page are as quoted on the individual... and are less trading charges...

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£8m road orders for Rush and Tompkins

RUSH & TOMPKINS has won contracts worth £8m for road building. Work has started for the Department of Transport on the £8m AS03 Andover-Thurton section improvement scheme on the main trunk route from London to the West Country.

Nearby the £800,000 Andover southern distributor road contract has also been awarded to Rush & Tompkins by Hampshire County Council. It includes 1 km of single carriageway, a roundabout and a five span in situ concrete viaduct in the centre of the town.

ELEMETA HOLDINGS has received a £2.5m contract for custom designed and developed two-hour glazed fire protection screens for the new headquarters of the Hongkong and Shanghai Baking Corporation.

CONSTRUCTION CONTRACTS

£8m. City of London office project

SIR ROBERT McALPINE AND SONS has won a contract worth around £8m from Haslemere Estates for the construction of a major office development in the City of London. The site, comprising seven buildings, is at the junction of Cannon Street and St Swithun Lane and is bounded on two sides by these roads and partly, at the rear, by Sherborne Lane.

St. Martins Property Corporation has awarded ROSSER & RUSSELL (a member of the Grand Metropolitan Group) a £3.7m building services engineering contract for its London Bridge City development. Rosser & Russell is to be responsible for the supply and installation of mechanical engineering services including plumbing, hot and cold water, sprinklers, etc. for a major part of Phase 1 of the development.

HENRY BOOT INTERNATIONAL is to undertake river training works to improve the flow of the Ng Tung river at Lo Wu on the Hong Kong/People's Republic of China border. The 1.4-km stretch of river affected is to be widened, the river banks strengthened and in general reduce the risk of flooding adjacent railway marshalling yards and surrounding area.

J. JARVIS & SONS has won eight contracts totalling over £2.5m in the south and north of England. At St Mary's Convent, a music centre is being built together with alterations to existing residential accommodation at a cost of £410,000. The Wessex Regional Health Authority has awarded a £350,000 contract for a unit for the mentally handicapped at Calmore, near Southampton. Four industrial units costing £225,000 are underway at Hampton Road SE27 for the London Borough of Lambeth and a £217,000 control building is under construction at London Transport's Neasden depot. Two refurbishment projects totalling £540,000 are to be carried out to provide new office accommodation in Prad Street and Long Acre W2D. In Ashton-under-Lyne a £407,000 contract was awarded for civil engineering works on a large services duct at the Tameside General Hospital, and a £200,000 pharmacy is being built for St Nicholas Hospital, Gosforth.

A contract to supply the curtain walling and windows, worth over £1m, for Stuart House, Peterborough, has been awarded to ALLAN H. WILLIAMS. Stuart House, a four-storey 120,000 sq ft office building, is scheduled for completion in late 1984. Set in landscaped grounds, the external finish of the building will be in reflective mirror glass between brick columns. Allan H. Williams is supplying 3,430 sq metres of curtain walling from its self-draining thermally broken 62 range, 600 top-hung ventilators and two glass entrance assemblies.

SIR ALFRED McALPINE & SON (NORTHERN) has been awarded a sub-contract worth about £420,000 for construction work at Manchester Airport. The sub-contract entails carrying out structural concrete work on the extension to the existing international departure lounge and new control tower. The project is being undertaken by the management contracting division of A. Monk & Co. Work started in May and will continue until the end of the year.

WALTER LAWRENCE & SON has won a £500,000 contract from the London Borough of Haringey to construct Phase VI of the Middlesex Polytechnic development in Bounds Green Road, London N11. Work consists of the completion of specialist accommodation for the mechanical and electrical engineering schools including the microscopy suite, a science laboratory, photolab, creep and brittle lacquer laboratories and laboratories for the civil engineering school. Walter Lawrence will also construct changing rooms and a multi-purpose sports hall and carry out the preliminary work for a large multi-purpose hall and teaching area. The project will be completed at the beginning of May 1985.

PERMUTTI-BOBY - PORTALS WATER TREATMENT has been awarded a contract worth £6.4m by the British Steel Corporation's Port Talbot works in south Wales. The plant, designed for oil separation and the clarification of mill scale, is one of the largest steelworks water treatment developments in the UK. A water recirculation system "polishes" 6,000 cu metres per hour to a very high quality for the cooling circuits in the new 80 in hot strip mill. The final specification for the upgraded water is 5mg/l oil and 5mg/l suspended solids. This turnkey contract includes piling and electrical work.

KYMI-STROMBERG OY has received orders covering electrical equipment for Shelton Paper Company's paper mill in north Wales, worth around £4m. They cover the supply of 12 high voltage a.c. synchronous motors for refiners with ratings between 6 and 8.5MW, d.c. sectional drives for the paper machine, winder and rewinders; two sectional a.c. drives for winder

allitters; several separate d.c. drives for pumps and conveyors, etc. A large number of 600V cage motors with ratings from 0.25-800 kw and 19 V. switchboards are also being supplied. The paper mill is due to be commissioned in May-June 1985.

GILBERT ASH, part of Bovis, has won over £2m of building work in Scotland. Three projects constitute the bulk of this total of which the largest is for Cumbernauld Development Corporation consisting of the conversion of 38 penthouses into office suites at a cost of just over £1m. This project is due to be completed in October 1985. The second is the Institute of Territorial Ecology for the Natural Environment Research Council. Work consists of the erection of a laboratory and office extension to an existing complex on the Bush Estate near Penicuik, Midlothian, and is worth over £500,000. The general works division has also secured a re-roofing contract worth nearly £300,000 at H.M.D. Rosyth for the Property Services Agency and a project for the ScotCo in Sauchiehall Street, Glasgow.

An engineering refurbishment at ICI agricultural division's Billingham factory is being undertaken by CLEVELAND REPAIRS ENGINEERING CO, who won the contract valued at over £2m with a competitive tender. The task is to insert two new sections of a steel pipe bridge around the elevated main services which run parallel to Ammonia Avenue. The structures will relieve the bridge now carrying the main services. The old bridge is to be progressively dismantled as the load is transferred to the new support steelwork. The ICI programme calls for the completion of fabrication in 12 months by November 1984. Erecting has to be completed by April 1985 so the project can be commissioned in May of that year. Cleveland Redpath Engineering is part of the structural engineering division of the Trafalgar House Group.

WATES SPECIAL WINS £6.2m council jobs. WATES SPECIAL WORKS has secured a £6.2m worth of council repair contracts for Test Valley Borough Council, Wates is to carry out a £2.7m contract for remedial works to 140 houses and 12 barns at King Arthur's Way, Andover, Hampshire. The project, which entails the erection of a new brick envelope to front and rear elevations and the provision of pitched roofs, is planned to commence in September and finish within 78 weeks. The London Borough of Camden has awarded a £2m-plus contract for modernisation of 121 dwellings in six post-war seven-storey blocks at Cromer Street, W.C1. Carried out with tenants in occupation, the project will commence this month with a completion date of January 1986. On a number of London Borough of Hounslow estates, Wates has won a £1.5m contract of external repairs and renewals. Undertaken with tenants in occupation, the contract commences in July for completion within 40 weeks.

OVER-THE-COUNTER

Table with columns: Stock, Sales (Mills), High, Low, Last, Change. Lists various stocks like SunCat, SunB, SunS, etc.

WORLD STOCK MARKETS

Table with columns: Stock, Sales (Mills), High, Low, Last, Change. Lists international stock markets like US, UK, Japan, etc.

Tilbury has £6.4m batch

TILBURY CONSTRUCTION has won a batch of contracts worth £6.4m. Among them is one from Hounslow Borough Council, worth £1.2m, for repairs and renovations to pre-war council housing in Brentford. A 900,000 contract from RTZ Estates will involve the construction of a pumped surface water outfall from the Tunnel Estate, West Thurrock, Essex, into the Thames 1,000 yards away. This project includes a pipebridge over the main London to Southend railway and an outfall across the Thames foreshore raised on case piles. From the Borough of Croydon comes an £850,000 contract for the construction of a four-storey block of 30 sheltered homes with communal rooms and warden's flat at Addiscombe Road. The contract is due to last 62 weeks. Tilbury's Belvedere office has won a £570,000 contract

Wates Special wins £6.2m council jobs

WATES SPECIAL WORKS has secured a £6.2m worth of council repair contracts for Test Valley Borough Council, Wates is to carry out a £2.7m contract for remedial works to 140 houses and 12 barns at King Arthur's Way, Andover, Hampshire. The project, which entails the erection of a new brick envelope to front and rear elevations and the provision of pitched roofs, is planned to commence in September and finish within 78 weeks.

Indices

Table showing various stock indices like DOW JONES, NEW YORK, STANDARD AND POORS, etc.

NEW YORK ACTIVE STOCKS

Table listing active stocks in New York with columns for stock name, price, and change.

NEW YORK ACTIVE STOCKS (continued)

Table listing more active stocks in New York.

NEW YORK ACTIVE STOCKS (continued)

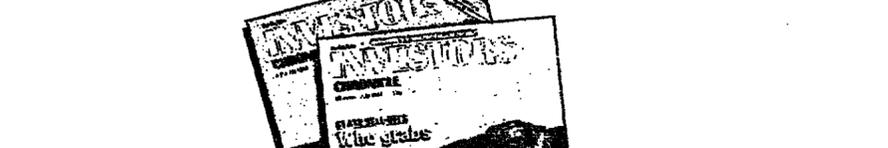
Table listing more active stocks in New York.

NEW YORK ACTIVE STOCKS (continued)

Table listing more active stocks in New York.

Base values of all indices are 100 except Australia All Ordinary and Metals-500, NYSE All Common-20, Standard and Poors-10, and Toronto Composite-1,000. Toronto indices based 1973 and Montreal Composite 4/7/82. 1 Excluding bonds. 2 400 industries. 3 400 industries plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

The DIY magazine for the money enthusiast



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BANQUE FRANCAISE DU COMMERCE EXTERIEUR GUARANTEE FLOTTING RATE NOTICE DUE 1984 U.S.\$500,000,000

London Hotel Apartments advertisement with details on accommodation, rates, and services.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as British Group, Perpetual Unit Trust, and others, with columns for name, date, and price.

FT UNIT TRUST INFORMATION SERVICE

Table listing unit trusts under the FT Unit Trust Information Service, including names like British Group, Perpetual Unit Trust, and others.

INSURANCES

Table listing various insurance policies and companies, including names like City of Westminster Assurance, General Protective Life, and others.

F.T. CROSSWORD PUZZLE No. 5,472

Crossword puzzle grid with clues and a list of words to be placed in the grid.

City of Westminster Assurance

Table listing insurance policies from City of Westminster Assurance, including names like City of Westminster Assurance, General Protective Life, and others.

General Protective Life Ins. PLC

Table listing insurance policies from General Protective Life Ins. PLC, including names like General Protective Life Ins. PLC, City of Westminster Assurance, and others.

British Unit Assurance Ltd.

Table listing insurance policies from British Unit Assurance Ltd., including names like British Unit Assurance Ltd., City of Westminster Assurance, and others.

INSURANCE, OVERSEAS & MONEY FUNDS

Self-insure

Table of Life Assurance Co Ltd, Liberty Life Assurance Co Ltd, Life Assur Co of Pennsylvania, LLOYD Life Assurance, National Provident Institution, etc.

Table of Overseas Life Assurance Co Ltd, Target Life Assurance Co Ltd, Overseas Life Assurance Co Ltd, etc.

Table of Money Funds, G.A.L. Investments (IOM) Ltd, G.A.L. Investments (Bermuda) Ltd, etc.

Table of Money Market Trust Funds, Money Market Trust Funds, Money Market Trust Funds, etc.

OFFSHORE AND OVERSEAS

Table of Offshore and Overseas funds, Archon Investment Fund SA, Adis Investment, etc.

Money Market Trust Funds

Table of Money Market Trust Funds, Money Market Trust Funds, Money Market Trust Funds, etc.

Money Market Bank Accounts

Table of Money Market Bank Accounts, Money Market Bank Accounts, Money Market Bank Accounts, etc.

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NOTES: Prices are in pence unless otherwise indicated and are quoted as at 10.30 a.m. on the day of publication.

FT LONDON SHARE INFORMATION SERVICE

JEREMY WOODS SPECIAL PAYMENTS... HUTCHINSON

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and % Change.

Five to Fifteen Years

Table of funds categorized by 5 to 15 year maturity.

Over Fifteen Years

Table of funds categorized by over 15 year maturity.

Undated

Table of undated funds.

Index-Linked

Table of index-linked funds.

INT. BANK AND O'EAES GOVT STERLING ISSUES

Table of international bank and government sterling issues.

CORPORATION LOANS

Table of corporation loans.

COMMONWEALTH AND AFRICAN LOANS

Table of commonwealth and African loans.

LOANS

Table of general loans.

Public Bond and Ind.

Table of public bond and industrial issues.

FOREIGN BONDS & RAILS

Table of foreign bonds and rail issues.

AMERICANS

Table of American stocks.

BEERS, WINES—Cont.

Table of beer and wine stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building, timber, and road stocks.

CANADIANS

Table of Canadian stocks.

BANKS, HP & LEASING

Table of bank, HP, and leasing stocks.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks.

DRAPERY AND STORES

Table of drapery and store stocks.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit stocks.

BEERS, WINES—Cont.

Table of beer and wine stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building, timber, and road stocks.

CANADIANS

Table of Canadian stocks.

BANKS, HP & LEASING

Table of bank, HP, and leasing stocks.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks.

DRAPERY AND STORES

Table of drapery and store stocks.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit stocks.

DRAPERY & STORES—Cont.

Table of drapery and store stocks.

ELECTRICALS

Table of electrical stocks.

ENGINEERING—Continued

Table of engineering stocks.

FOOD, GROCERIES, ETC.

Table of food, grocery, and other stocks.

ENGINEERING

Table of engineering stocks.

HOTELS AND CATERERS

Table of hotel and caterer stocks.

ENGINEERING—Continued

Table of engineering stocks.

INDUSTRIALS (Miscel.)

Table of miscellaneous industrial stocks.

INDUSTRIALS (Miscel.)

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Table of miscellaneous industrial stocks.

Financial Times logo

July 23 1984

Financial Times Monday July 23 1984

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

PROPERTY—Continued

Table of property stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Table of motor and cycle stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

Commercial Vehicles

Components

Table of commercial vehicle and component stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

SHIPPING

SHOES AND LEATHER

Table of shipping, shoes, and leather stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

SOUTH AFRICANS

TEXTILES

Table of South African and textile stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

OVERSEAS TRADERS

PLANTATIONS

Table of overseas traders and plantation stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING

ADVERTISING

Table of newspaper, printing, and advertising stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

TOBACCOS

TRUSTS, FINANCE, LAND

Table of tobacco, trusts, finance, and land stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

PROPERTY

INSURANCES

Table of property and insurance stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

LEISURE

INDUSTRIALS

Table of leisure and industrial stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

NOTES

MINES

Table of notes, mines, and other financial data including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

REGIONAL & IRISH STOCKS

OPTIONS—3-month call rates

Table of regional and Irish stocks and options including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

DIAMOND AND PLATINUM

CENTRAL AFRICAN

Table of diamond and platinum, and Central African stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

FINANCE, LAND

INVESTMENT TRUSTS

Table of finance, land, investment trusts, and other financial data including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

INDUSTRIALS

OIL AND GAS

Table of industrial and oil and gas stocks including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

PROPERTY

INVESTMENT TRUSTS

Table of property and investment trusts including companies like British Airways, British Petroleum, and British Telecom, with columns for stock price, last price, and volume.

Notes, regional and Irish stocks, options, diamond and platinum, Central African, finance, land, investment trusts, industrial, oil and gas, property, investment trusts, insurance, tobacco, trusts, finance, land, property, leisure, newspapers, publishers, paper, printing, advertising, overseas traders, plantations, rubber, palm oil, tea, far west, O.F.S., diamond and platinum, Central African.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar end firm

BY COLIN MILLHAM

Sterling failed to show much reaction to the agreement in principle to end the UK docks strike...

The tone for the week was set by these two events, and the dollar was given a further lift on Wednesday when President Reagan denied the will...

THE POUND SPOT AND FORWARD

Table with columns: July 20, Day's spread, Close, One month, % p.a., Three months, % p.a.

OTHER CURRENCIES

Table with columns: July 20, £, \$, Note Rates

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Ecu central bank rates, Currency unit, % change from central bank rates, % change adjusted for divergence limit %

EXCHANGE CROSS RATES

Table with columns: July 20, Pound Sterling, U.S. Dollar, Deutsche m/k, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canada Dollar, Belgian Franc

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table with columns: July 20, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, D-mark, French Franc, Italian Lira, Belgian Franc, Yen, Danish Kroner

MONEY MARKETS

Rates ease on docks settlement

An unexpected end to the docks dispute brought about an easing of London money market interest rates on Friday.

U.S. The Federal Open Market Committee met last Monday and Tuesday and opinion was somewhat divided on whether there was likely to be a vote for tighter monetary policy.

This Wednesday Mr Paul Volcker, chairman of the Federal Reserve Board, will give testimony before the U.S. Congress and is likely to outline present policy and whether there has been any recent tightening.

MONEY RATES

Table with columns: July 20, Overnight, One month, Two months, Three months, Lombard, Intervention

LONDON MONEY RATES

Table with columns: July 20, Sterling, Interbank, Local Authority Deposits, Company Deposits, Market Deposits, Treasury Deposits, Treasury (Buy), Treasury (Sell), Eligible Bank (Buy), Eligible Bank (Sell), Fine Trade (Buy)

INTERBANK FIXING

Table with columns: LONDON INTERBANK FIXING (11.00 a.m. July 20), Three months U.S. dollars, bid 13 1/16, offer 13 1/16, Six months U.S. dollars, bid 12 1/2, offer 12 5/8

The fixing rates are the arithmetic means rounded to the nearest one sixteenth of the bid and offered rates for 30 days quoted by the market to the reference banks at 11 am each working day.

FINANCIAL FUTURES

LONDON

Table with columns: THREE-MONTH STERLING DEPOSIT, EURO DOLLAR, FT-SE 100 INDEX, CHICAGO, U.S. TREASURY BONDS (CBT), U.S. TREASURY BILLS (TMM)

FORWARD RATES AGAINST STERLING

Table with columns: Dollar, 1 month, 3 months, 6 months, 12 months

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: July 20, July 13, Bills on offer, Total accepted, Total allocated, Allotment at minimum level

THE DOLLAR SPOT AND FORWARD

Table with columns: July 20, Day's spread, Close, One month, % p.a., Three months, % p.a.

CURRENCY MOVEMENTS

Table with columns: July 20, Bank of England, Morgan Stanley, Currency Change

CURRENCY RATES

Table with columns: July 20, Bank of England, Morgan Stanley, Currency Change

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: LONDON, NEW YORK, TOKYO, BRUSSELS, AMSTERDAM

Barclays Bank Prime Account. With effect from the close of business on 23rd July 1984, the rate of interest on Barclays Prime Account will be 11% nominal 11.46% A.P.R.

Offshore Mining Company Limited U.S. \$100,000,000 Guaranteed Floating Rate Notes due 1986. For the six months 23rd July, 1984, to 23rd January, 1985

CORRECTION NOTICE to Transvaal Mining Quartermen that appeared in this paper 20 July 1984. S.A. LAND The South African Land & Exploration Company Limited

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FINANCIAL TIMES SURVEY

Monday July 23 1984

JAPAN

A highly competent bureaucracy which enjoys good relationships with its principal partners—politicians and businessmen—has been the wellspring of Japan's industrial and economic success. Can the country adapt to the challenges as both society and the economy become more open?

Myth of the monolith

By JUREK MARTIN
Far East Editor

ONE OF THE more popular and recurrent external fallacies about Japan is that the country's economic success is based on a conspiracy. That deep in the bowels of Kasumigaseki, Tokyo's Whitehall, there sits a group of bureaucratic plotters, to whose every beck and call industry responds and who have a grand, possibly computerised, scheme of things whereby sooner or later the world will fall under Japan's economic thrall.

Generally, the government department most often cited is the Ministry of International Trade and Industry, sometimes, and more frequently now that financial services are assuming greater significance, the Ministry of Finance.

It should be pointed out that perhaps the best analysis of the Japanese system, "MITI and the Japanese Economic Miracle" by Chalmers Johnson, does not bow to this theory but many less scrupulous purveyors of polemic do, as any airport bookstand demonstrates. It is also apparent that the myth of the Japanese monolith has many subscribers in foreign government and industrial circles.

Truth more complex

The truth, inevitably, is much more complex, often not easy to discern, and occasionally contradictory. A factor indisputably, is that Japan is a nation which is comfortable with the idea of a strong central government; politicians and bureaucrats occupy well-delineated areas and in the post-war years a succession of conservative governments has given the bureaucrats the political

security to pursue the art of policymaking as they think best.

Although not necessarily a consequence, it is also undeniable that the bureaucrats have done their job well. Japan is a remarkably well-run country, by and large. The bureaucracy may appear, at times, interfering, pettifogging and obdurate, but it has made few major mistakes, as the Japanese record shows. It may be less good at anticipating problems than in reacting to them (vide the first oil crisis a decade ago) but few international bureaucracies in the turbulent modern era can claim to have met diverse challenges so effectively.

This is at least partly because the Japanese bureaucracy still attracts "the best and the brightest." They may be drawn rather heavily from Tokyo University which, with its graduates holding 80 per cent of senior bureaucratic positions, enjoys an hegemony that Oxbridge has not known this century, but their qualities are not to be lightly dismissed. To be a bureaucrat in Japan is to know real power and prestige.

It is also noteworthy that the bureaucracy is, by most international standards, not overstuffed. The program to cut the number of national government personnel began in the late 1960s and real manpower savings have been achieved.

Even though some staff were switched from national to local government, which has grown in size, the ratio of public employees to the overall labour force in Japan is less than half that of the U.S., Britain and West Germany. In fact the most frequent complaint made by bureaucrats today is that their work loads have become too heavy; certainly many put in, routinely, 12-hour days and six-day weeks.

But it is a far cry—and an unwarranted extension—to suggest that it is only the

bureaucracy which guides and impels Japan. In a closely-knit society like Japan's, which also happens to make a cardinal virtue out of encouraging free flows of information and communication, it is inevitable that government should be aware of the activities of the private sector.

Indeed, there is very little of the debate, among Japanese, about the merits of public and private sector efficiency in Japan that is so evident elsewhere in the world. Japan's own current modest attempt at privatisation is simply not seen in these stark ideological terms.

As far as industry is concerned, the bureaucratic role is multi-faceted, probably more so now that the economy is less dominated by major heavy industries, which were easy to grasp, and more influenced by the service sector, which is by definition more nebulous.

Over the years, however, key elements of the governmental approach have been:

● **Development.** The government does help guide indus-

trial research; it does not spend vast sums (apart from the huge agricultural and railway subsidies); and the bureaucracy is cost-effective. Currently the focus is on high technology, fifth generation computers, optical fibres, aerospace and so on where the government essentially mobilises industrial and academic talent and gives it leeway.

● **Rationalisation:** The government directs the winding down or diminution of troubled industries (most recently petrochemicals, aluminium, and oil refining and marketing); the process can be difficult, even brutal, but is aided by the very strong national sense of equity—that even a smaller pie can be sliced up many ways.

● **Where Japanese industry has run into export curbs (cars to the U.S. and VCRs to Europe, for example) the government informally sets quotas for industry.**

● **Guidelines (possibly the most important function of all).** The Government watches what the private sector does with great care. If, for example, the

Ministry of Finance becomes concerned about the level of capital outflows, it may issue "administrative guidance" to, say, the life insurance industry requiring that only a given percentage of its portfolio be invested overseas.

Guidance backed by sanctions

Similarly it stanchied the flow of big bank funds to "sarakin," the ruthless consumer loan organisation. On occasion the Government's guidance may be superfluous, but at other times it may be backed by real sanctions.

● **Procurement.** Inevitably, the Government prefers to "buy Japanese," and the foreign foot in this dor has not penetrated beyond the little toe nail.

But it is not all a one-way street, with the exercise of power flowing only from government. Industry has some potent lobbies of its own. The best known is the Keidanren, the employers' federation whose clout far outstrips that com-

manded in the UK by the CBI or in the U.S. by the Chamber of Commerce.

Individual industry associations are not far behind, nor, of course, is the farm lobby. For all of them, the central point is that they combine to underwrite the ruling Liberal Democratic Party, with whom the bureaucracy has, as previously mentioned, a well-established relationship. It is an appellation that nobody wants to overturn by being too assertive.

In addition, the national power of the bureaucracy is often vitiated by the fact that it is frequently at odds within itself. Each Ministry is jealous of its prerogatives and savage turf fights are an enduring feature of the scene.

Among the regular combatants are MOF and the Bank of Japan (on monetary policy), MOF, MITI and the Foreign Ministry (on trade and economics), MITI against Agriculture (on farm protection), MOF and Posts and Telecommunications (on postal savings accounts) and MITI and MPT (on telecommunications policy)

and MITI against Education's usually insignificant Cultural Affairs Agency (on copyright laws, a battle which MITI did not win).

This is but a partial list and vested commercial interests have shown themselves eminently capable of exploiting such divisions.

However, one Ministry has tended to enjoy a predominant position in Japanese bureaucratic history. Earlier in the century it was the Interior Ministry, the repository of so much power that General MacArthur ordered it broken up. For most of the post-war years, MOF has ruled the roost, simply because of its control over the budget, though MITI certainly had its day in the sun in the 1960s and 1970s.

Diversified economy

The great question now is whether the bureaucracy is up to the challenges of a more diversified and open economy in society. In another article in this survey, Mr Shizuo Takano of JVC argues that the bureaucracy has become too prone merely to react and less able to anticipate developments, as he feels it should.

MOF will be presiding over a progressively more liberalised financial system in which some of the old demarcation lines seem bound to break down: the Ministry of Education is increasingly under attack for making Japanese curricula too rigid.

The bureaucratic reluctance to cede authority is strong, however. The denationalisation of two government monopolies carried out under the banner of "administrative reform"—of NTT, the telecommunications entity, and the Tobacco and Salt Monopoly—is being conducted with extreme caution and gradualism.

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Editorial production: Michael Stuart; Design: Phil Hunt

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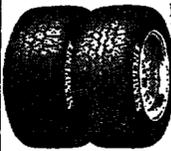
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Foreign policy keeps to a passive path

IT IS now apparent that the long standing post-war thesis on Japan's foreign policy — basically that it had none which was independent of U.S. requirements — is out of date. The emergence from the cocoon may still be halting but it is, by now, probably irrevocable, even if a subsequent Prime Minister is less rigorous in pursuing greater international exposure than is Mr Yasuhiro Nakasone. Government, business, and even the average Japanese citizen, who travels more widely than hitherto, have all come increasingly to regard the world, rather than the narrow confines of the Japanese archipelago, as their oysters.

Yet greater awareness of the larger world has not, remarkable as it may seem, been matched by heightened internal debate over what Japan's role ought to be in it. Mr Nakasone's attempts to define it have been greeted with indifference at home. Foreign policy debate in the Diet remains extremely sterile, still largely framed, and constrained, by constitutional and other political shibboleths.



Mr Shintaro Abe (right), Foreign Affairs Minister, leads a delegation to an OECD meeting. The Japanese seem to be disenchanted with the EEC

Hard to find

And it is sometimes distressingly hard to find in either the public or private sector, in academia or the influential mass media — much intrinsic interest in those events outside Japan in which the Japanese stake is not obvious or paramount. Only occasionally does the nation get aroused on an external issue: anger over the shooting down of a Korean jet liner, for example, which involved substantial loss of Japanese life; demonstrations over the presumed presence of U.S. nuclear weaponry in Japanese waters, though such protests are but shadows of those of the 1960s; a surge of criticism if Mr Nakasone is seen to go too far in his public statements, especially while overseas.

The normal attitude, however, is indifference or silence which can be construed as the same thing.

This is a state of affairs which, by and large, suits the interests of the professional bureaucrats, in this case principally, but not exclusively, the Foreign Ministry, whose responsibility is the conduct of external policy. Yet it is a testament to the relative importance of foreign policy in the Japanese mind that its Foreign Ministry, for all the competence of its personnel, does not rank as one of the truly heavyweight constituent parts of the government. That honour belongs, incontrovertibly, to the Finance Ministry, with the Ministry of International Trade and Industry following close behind.

And both these two Ministries, within the confines of their jurisdictions, can be important foreign policy players. MOP's jealousy guards Japan's international and bilateral financial and economic interests. MITI's trade parameters, subjects still of central significance to the wider web of Japanese foreign relations. MOP tends to be conservative, MITI less predictably so, but both stand in sharp and often powerful contrast to the internationalist school in Japanese thinking, which still resides very much in its Foreign Ministry.

Complicating the process can be the presence of a Prime Minister who enjoys foreign affairs as palpably as does Mr Nakasone and who does appear, on occasion, to be willing to entertain that un-Japanese concept of taking a risk. In the run-up to the London summit, for example, the Foreign Ministry was visibly

GOVERNMENT & POLITICS



Here and on the next two pages Jurek Martin examines Japan's view of its international role and the country's relationship with the U.S., which remains a cornerstone

nervous that Mr Nakasone was going too far in his public hints that Japan might be in a position to play some form of middle role in the Gulf War, because it enjoys good relations with both Iran and Iraq.

This seemed to fly in the face of the official Ministry position which tends to stress the limitations on, rather than the possibilities of, independent Japanese action. In the event, it appears, Ministry caution prevailed because Mr Nakasone pulled no rabbits out of the hat.

However, in spite of the permutations of Japanese bureaucratic infighting over foreign policy, there are some common denominators on which all participants clearly agree. The first, and most obvious, is that the relationship with the U.S. remains the cornerstone of Japan's external edifice. It is no longer merely the case that the U.S. protects Japan militarily and buys more of its goods than anyone else; as the balance of power in the U.S. appears to be shifting perceptibly away from the Atlanticist eastern establishment in favour of those who see the Pacific basin as the home of America's real and future interests. As a general rule, this evolution suits Japan rather well.

In the first place, it legitimates an enhanced Japanese role on its regional doorstep. Partly because of the bitter memories of the last war, partly because of domestic political constraints, this principally takes an economic and commer-

cial form, which happens to be Japan's forte in any case. But it certainly does no harm to Japanese policymakers to know that the U.S. fully supports initiatives such as greater economic assistance to South Korea, the People's Republic of China and the ASEAN states generally.

It also means that Japan can, and does, speak with some genuine authority on behalf of the newly industrialised countries in the region in fora like the London summit.

Maturing

However, as the relationship with the U.S. deepens, it is also showing signs of maturing. No longer does Japan always, and automatically, do whatever the U.S. requires.

Probably the best example of this in the last year concerns reform of the Japanese financial system, in which the Ministry of Finance resisted stoutly the U.S. Treasury not only by the skill of its technical arguments but also by applying political pressure of its own at the highest levels in Washington.

In the end it paid off; the prevailing informed view in Japan is that, in the thick of the negotiations, the White House ordered the Treasury to pull back from a more strenuous confrontation, in effect saying that the political and strategic relationship with Japan mattered more than in forcing radical financial reforms.

Japan's assumption of the second largest position in the World Bank may also lead it to take stances not always compatible with those of an ideologically tinged U.S. Administration. It has, by so doing, widened its economic constituency in the larger world.

Another common denominator is that the coolness that has marked Japanese relations with the Soviet Union in recent years remains unchanged. This stems from a combination of factors — the perceived threat from Soviet SS-20 missiles, the Soviet refusal even to talk about the status of Japan's "northern territories" and the generally heavy-handed Soviet approach towards Japan.

But it also reflects the fact that every known Japanese public opinion poll invariably places the Soviet Union close to the bottom of the list of countries for whom Japan has any esteem or regard. Even the commercial lure is less enticing than it was, as the People's Republic has replaced Russia as a commercial customer.

The third constant is that Sino-Japanese relations should continue to improve and

deepen. Exchanges of visits at the highest level certainly have done no harm. They have also given Japan a new diplomatic window, and conceivably some substantive role, on what might happen on the Korean Peninsula, an area of concern central to Japan. The planned visit of the South Korean President, Chun Doo Hwan, to Japan in September may give further clues as to what might be expected here.

The evolution of Japanese-European relations, however, is less clear. Japan has relatively few quarrels with most European nations other than the commercial, and these vary in intensity (negotiable with the UK, for example, more profound with France).

But Japanese officials do appear to be becoming increasingly disenchanted with the European Community as an institution, for all the public protestation to the contrary, simply because negotiations seem endlessly bogged down in the minutiae of trade disputes.

Japan's desire to be acknowledged as part of the West strategically and commercially, obviously presents potential problems as well as rewards, for Europe. But, from the Japanese perspective, the Community as a whole, if not always individual nations, seem incapable of recognising all the possible benefits. Thus it irked Japan that M Gaston Thorn, the EEC president, was so noticeably cool towards Japan's initiative for a new multinational trade round when he was in Tokyo in May.

Contribution

Even if self-servingly, Japan sees its proposed Nakasone round as the sort of contribution it can, and should, make in global affairs and tends to contrast U.S. enthusiasm for it, albeit politically tinged, with European indifference. That Europe and Japan can work together, even against the U.S., is not in doubt, as their joint campaign against U.S. unitary taxation demonstrates.

In any country, it is always a moot point if policy should follow or lead public opinion. Japan's oft-cited preference for consensus building and the innate caution that has always marked Japanese governments since the war suggests that the gap should not be wide.

But it is precisely the absence of debate on foreign policy that makes it tough to judge the speed with which Japan will become an assertive force on the world scene. The voices are there, of which Mr Nakasone is undoubtedly currently the most distinctive, but the rest of the body remains strangely passive.



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Politics

Leadership elections in November are likely to favour the Prime Minister

Tanaka faction shadows Nakasone

The LDP

JUREK MARTIN

AT THE time of writing, which is a fact of necessity, not significance, the popular view in Japan is that Mr Yasuhiro Nakasone will be returned in November as president of the ruling Liberal Democratic Party and will thus serve probably another two years, possibly less, as Prime Minister of Japan.

As the Japanese like to put it, there is this summer "a mood for Nakasone." But it certainly is not irrevocable, nor does it demonstrate that the man who has been Prime Minister since November, 1982, is in the process of duplicating at home the popularity and esteem that he undoubtedly enjoys overseas. On the contrary, it reflects the state of power politics in Japan, to which policies are largely irrelevant and personalities are only of variable importance.

There is, however, one man who plays power politics better than anybody else. He is, of course, Mr Kakuei Tanaka, Prime Minister from 1972-74, now appealing against his conviction last October of accepting bribes while in office from the Lockheed Aircraft Corporation in return for facilitating the sale of the U.S. company's Tri-Star airliner to a domestic carrier. As a personality, he is widely reviled in Japan, especially by its media, yet also admired, most openly by his own electoral constituents in Nagata who returned him to the Diet last year with the biggest majority he has enjoyed in 30 years of public life.

Strength

Mr Tanaka endures because he plays the political game better than any other politician. He presides over the largest parliamentary faction inside the LDP, its strength in good measure the result of its leader's exquisite use of patronage and his unparalleled understanding of how to run a smooth political machine. Every thing that has ever been practised in the U.S. by such past masters as Boss Tweed, Frank Hague and Richard Daley has been absorbed and given a Japanese flavour by Kakuei Tanaka.

The efficiency of his machine far transcends his personal legal problems. Last December's general election was widely, and not wholly inaccurately, seen as a referendum on his presumed malevolent influence on Japanese political life—and indeed the LDP (his party though he sits in the Diet as an independent) did very badly; it came within a hair's breadth of losing its overall majority.

Yet the power of the forces beholden to him was not much impaired. Not only was he resoundingly returned, but his faction lost less than did most of his principal intra-party rivals. In a subsequent LDP recruitment drive, conducted principally for fund-raising purposes, nearly half the new members were signed up, it is understood, by Tanaka cohorts. There have been predictions of the break-up of his faction or the demise of his personal control for years, but neither has yet happened.

As a result, there is today a general recognition that Mr Tanaka cannot be simply banished from political life. This summer only the Socialists are seriously still talking about trying to oust him from the Diet, a far cry from the heady days after the Lockheed verdict last autumn

when all the opposition parties boycotted parliament—and helped force the general election—because the LDP would not permit the Diet to consider such a motion.

The press, which likes to see itself as the real extraparliamentary opposition, rarely these days goes to town on Mr Tanaka's perceived iniquities. And even the LDP itself, many of whose constituents express genuine fear and loathing for Mr Tanaka, seem to have come to the tacit acceptance of the reality that his nod in the party presidential contest in November is probably going to determine the outcome.

And this favour, it appears increasingly likely, is going to be bestowed on Mr Nakasone. At least this is the message conveyed by Mr Susuzumi Nikaide, one of his chief lieutenants, who is installed, at the insistence of Mr Nakasone, himself no mean politician, as the LDP Vice-President.

Moreover, Mr Tanaka himself has told his factional heir apparent, the Finance Minister, Mr Noburo Takekita, that he will not approve a Takekita challenge for the party presidency this year. This is consistent, ever since he stepped down from the Prime Minister's office under a cloud 10 years ago, Mr Tanaka has never allowed one of his own troops to run for the top job.

Bearing in mind that Japanese politics have little to do with policies, at least inside the LDP, which is, in any case broadly conservative, the obvious reason why Mr Tanaka is comfortable with Mr Nakasone is that the latter is heartily disliked by another former head of government, Mr Takeo Fukuda.

The so-called "Kaka-Fuku" war has been a dominant force in LDP politics ever since Mr Tanaka beat Mr Fukuda in the 1972 leadership contest. To the extent that Mr Fukuda sees Mr Nakasone as Mr Tanaka's tool, then Mr Tanaka seems inclined to stick with Mr Nakasone.

In return, Mr Nakasone has done Mr Tanaka one specific and one general favour, neither exceptional in their own right but both enough to maintain the bond. The first is that he has ensured that both his first two Cabinets have been well represented by Tanaka forces. This sharing out of the spoils of interest to the centre-left opposition parties, who still talk of seducing him away to head a coalition government. He also happens to be one of Mr

Mr Komoto, who also ran in 1982 with high initial hopes that were severely disappointed, is now well into his 70s and probably cannot wait. He is the relative economic liberal, the believer in deeper tax cuts and fiscal stimulus. This has not endeared him much to the LDP, in which his faction is the smallest of the big five, but it has made him an object of interest to the centre-left opposition parties, who still talk of seducing him away to head a coalition government. He also happens to be one of Mr

Independence

There is no lack of constitutional, moral, and legal justification for Mr Nakasone to assert the independence of the judiciary. But the practical effect has been to give Mr Tanaka more time to exert his power—and for a man to whom power is mother's milk, time matters.

The informal Nakasone-Tanaka alliance has, it must be incessantly pointed out, more to do with politics than policies. But its existence does create problems for those who want to challenge Mr Nakasone in November. Surprise candidates are, of course, not a feature of the Japanese political system, so the would-be LDP presidents and prime ministers are easy to identify. They have all been, or are, ministers, the product of

having risen steadily and carefully through the party ranks.

This year's four candidates are: Mr Takeshita (whom Mr Tanaka has ruled out); Mr Kichiro Miyazawa, whose policy strong suit is economics, but who holds no official position at present; Mr Shintaro Abe, now Foreign Minister and acting head of the Fukuda faction; and Mr Toshio Komoto, a businessman turned politician, who now heads the Economic Planning Agency, serves as deputy prime minister and runs his own political faction.

Both Mr Takeshita and Mr Abe are probably resigned to waiting their turn, another feature of the Japanese political system where waiting is a virtue not evidence of weakness. However, Mr Abe may run in November, to put his marker down, as it were, much as he did in 1982.

Mr Komoto, who also ran in 1982 with high initial hopes that were severely disappointed, is now well into his 70s and probably cannot wait. He is the relative economic liberal, the believer in deeper tax cuts and fiscal stimulus. This has not endeared him much to the LDP, in which his faction is the smallest of the big five, but it has made him an object of interest to the centre-left opposition parties, who still talk of seducing him away to head a coalition government. He also happens to be one of Mr

Tanaka's most vocal opponents.

However, Mr Nakasone may have neutralised Mr Komoto by bringing him back to his old Cabinet post at the Economic Planning Agency for he has been conspicuously quiet this year, certainly in comparison with 1983, when he held no office. This leaves Mr Miyazawa, a frequent former Cabinet member and highly regarded by the business community, the ruling party's chief underwriter. It looks as though Mr Nakasone picked Mr Miyazawa out as his principal threat last winter, after the election, and thus excluded him from the Cabinet and any of the major party posts which are generally considered a stepping stone to the presidency.

Odds

The problem for Mr Miyazawa is not the esteem in which he is held; he is indeed attracting attention with his "asset doubling" proposal, that is, improvement of the nation's social capital, schools, housing, roads and so forth, which at least presents a contrast to Mr Nakasone's "stand pat" economics. His task is generating support inside the party and this, in turn, reflects the reality that the odds in the power politics game are stacked against him.

Mr Nakasone can count on

the support of his own faction and that of Mr Tanaka who belong to the so-called "mainstream" and reckon to be opposed by those beholden to Mr Fukuda and Mr Komoto. This gives him an advantage numerically. Mr Miyazawa is a leading member of the other "mainstream" faction led by another former Prime Minister, Mr Zenko Suzuki, which effectively holds the balance of factional power. But the Suzuki forces may not be squarely behind him; their interests may lie more in cementing relations with Mr Nakasone or in hooking up with the Fukuda and Komoto forces if that seems a politic idea.

As it is, the Suzuki faction appears to enjoy its middleman's role, which in turn brings it spoils it may not, on its own might, be able to earn. One of its most influential members, Mr Rokusuke Tanaka, is revealing in his job as LDP Secretary General this year (a post that might well have gone to Mr Miyazawa) and, having personally negotiated the parliamentary coalition between the LDP and the small New Liberal Club, may be disinclined to cast his lot with his factional colleague.

Thus, no matter how the LDP decides to choose a leader this November (there are two alternative methods, though practically they may not differ

much), the current line-up appears to favour Mr Nakasone. In a multi-candidate field he looks assured of the biggest core of support.

There are, however, some caveats. Mr Nakasone's campaign is predicated not on his international expertise but on his success in getting bills through Parliament this summer. He may succeed but the opposition will not give him a free ride and he does not, in any case, have the reputation of being a good parliamentary manager.

It is also possible that his LDP rivals will find a way to cut a deal, the true nature of which will likely be hidden deep in the woodwork of the political system, and unite behind a single strong alternative candidate.

But the greatest caveat of all is Mr Tanaka. The assumption is that he sticks with Mr Nakasone, but every now and then dissonant voices emanate from his camp; that, for example, it is not fair that Mr Nakasone should serve more than two years because none of his five predecessors did; that maybe his support for Mr Nakasone is conditional on him stepping aside after another year; that perhaps he (Tanaka) should loosen the controls on his faction. Political "moods" in Japan can be fickle.



Yasuhiro Nakasone: power Kakuei Tanaka: bribes

Myth of the monolith

CONTINUED FROM PAGE 1

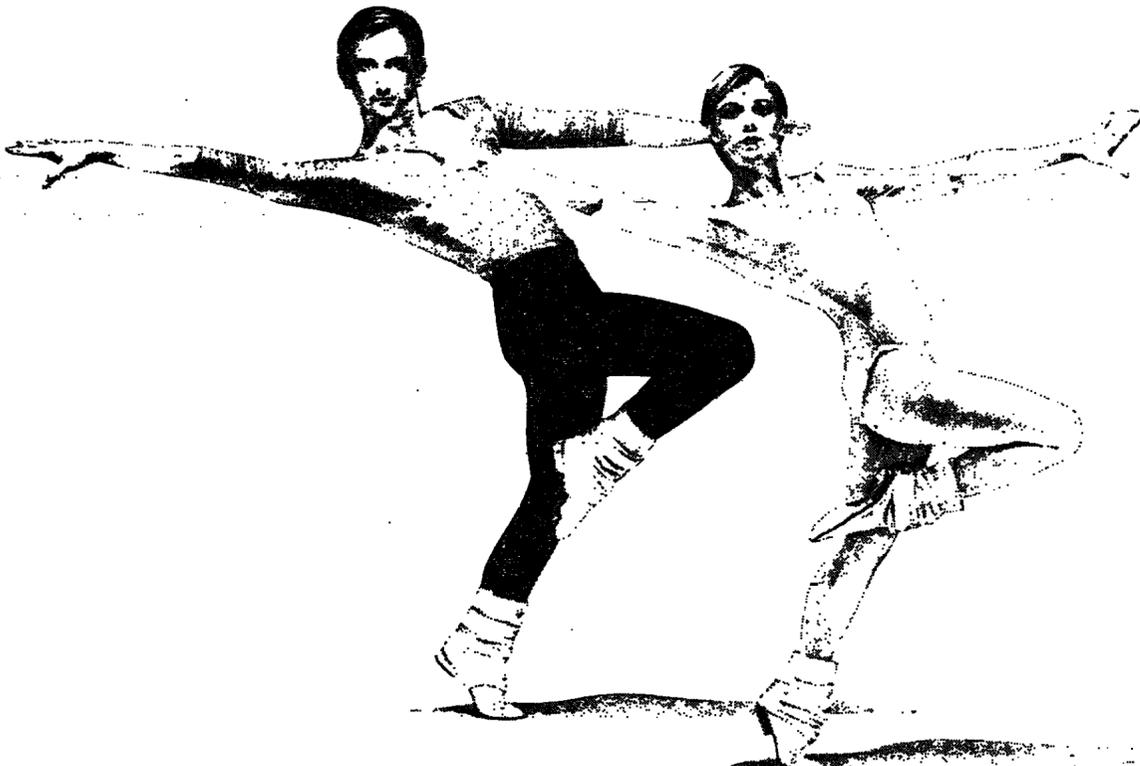
In neither case will privatisation be clean-cut; with NTT, the government is assured of a majority position for at least five years, possibly more; with tobacco, though imports of the commodity are being liberalised, the controlling authority remains a state corporation in all but name and the complex web of tobacco subsidies remains in place. The telecommunications market as a whole is being opened up, but the residual power of the government to control its pace and shape remains considerable. The complicated overall picture, therefore, is of a

country blessed with an unusually competent bureaucracy which enjoys generally good working relationships with its principal partners, the politicians and the businessmen, but which is capable of fighting like alley cats within itself and is far from sure that it knows all the answers.

This hardly fits the requirements of the conspiracy theorists. Those who really want to be disabused should actually visit the offices of MOF or MITI, the presumed homes of such masterminds. Surely no Grand Plan could emerge from such neo-Victorian squares, and from such a clutter of paper, on which high tech has made no imprint.

the American democratic machine

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Mr Nakasone, wearing the kimono, sips tea at his official residence while awaiting the outcome of polls last December

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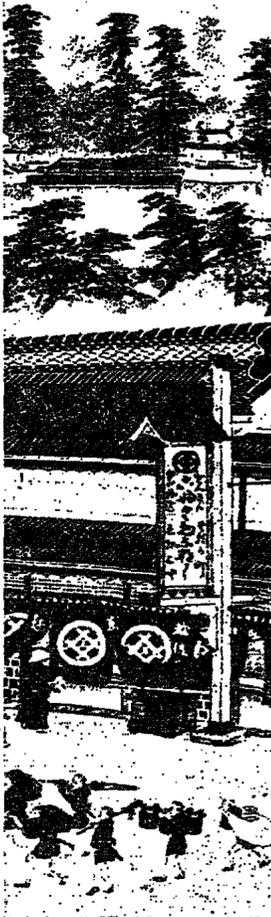
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A Tokyo voter, carrying a baby on her back, casts her vote at last December's polls to elect the powerful Lower House of Parliament. The Japanese electorate seems reluctant to remove the ruling Liberal Democrats.

Uncertainties about power behind muted challenge

The Opposition

JUREK MARTIN

THERE IS sometimes a logic to the Japanese political system that is simply unique. On the morning after the general election last December 18, the opposition parties really should have been relishing the future. All of them, except the Communists, had either held their own or done very well; they had collectively reduced the LDP's comfortable majority in the Lower House of the Diet to virtually nothing; and they had Mr Nakasone apparently on the ropes; they appeared to have two issues going for them — political corruption and the tightness of the government — ripe for future exploitation.

Furthermore, the leading opposition party, the long-derided Socialists, had a new leader who seemed capable of building bridges rather than disappearing down some ideological blind alley.

Yet a mere six months later the political scene bears little resemblance to that which might reasonably be expected. One of the opposition parties, the small New Liberal Club, is now in a coalition with the LDP, from which it had broken away eight years before.

The third and fourth largest parties, Komeito and the Democratic Socialists, were openly talking about the same recourse. Mr Masashi Ishibashi, the Socialist leader, was energetically flying the flag of respectability as far afield as Ronald Reagan's Washington (and Moscow and Peking to boot) but was getting scant response at home.

Forgetting their unity of last autumn, only the Socialists seemed interested any longer in the Tanaka case; the New Liberal Club swore it was working to raise the standard of political ethics from the inside but few people could discern the fruits, let alone the labour; as the economy recovered, the debate over fiscal policy lost its bite.

Indeed the only subject apparently capable of producing any form of opposition consensus was the general desire to embarrass Mr Nakasone. The three week opposition boycott



Masashi Ishibashi: flying flag of respectability.

which did not include the Democratic Socialists, in early June, just before the Prime Minister left for the London summit, was not really the result of disagreement over pending legislation covering denationalisation, national health insurance and the like; it was simply designed to cut Mr Nakasone down to size.

There are no clear-cut answers to the question of why the opposition collectively backed off, though several partial explanations can be advanced. One common thread, however, may be that the opposition which has known only opposition for almost all the post-war years, really has become comfortable with that state. Power, in the shape of seeking to overthrow the conservative government, may really hold too many uncertainties.

Affluence

It is undoubtedly also true that the Japanese electorate — which has come to know much affluence under the direction of a conservative, business-oriented party — is more interested in occasionally rapping the Liberal Democrats over the knuckles than in actually kicking them out.

Thus, a widespread belief after the December poll was that the LDP would certainly win the next election, whenever it is held, for that very reason.

What could, or might, undermine the LDP's power base is

electoral reform designed to reduce the voting weight of the agricultural regions. Yet the opposition, in general, seems disinterested in the idea. The Socialists, in particular, seem more afraid that they might lose more than gain as a result of reform. This is because as the only other proper national party (the Communists run everywhere but are a special case) they get their share of rural seats, true to the Japanese notion of equity.

Even in the cities the centre and left parties seem to be competing for a fixed percentage of the vote. It was significant in December that where the Socialists and Komeito and the Democratic Socialists pooled their resources and ran fusion candidates they did very well; left to their own party banners they carved each other up.

Both the urban based centre parties, the Buddhist oriented Komeito and the Democratic Socialists, who split off from the left-dominated JSP in 1960 much as the Gang of Four did in Britain a generation later, also seem to have a very precise awareness of their limitations.

In December, for example, Komeito ran 59 candidates and saw all but one elected, a nominally sensational result. But party officials freely concede that if they had run 120 candidates, they probably would still have only won 58 seats.

Neither Komeito nor the DSP advocates policies wildly different from the LDP. Before Mr

Ishibashi began nudging the Socialists towards the middle last year, accommodation with the LDP often seemed a more appropriate course for both of them, and, apparently, in spite of Mr Ishibashi's efforts, it still does.

The basic logic, if that is the word, behind the current coalition talk is that it is more possible to influence the ruling party through dialogue from the inside than the outside.

This was the official reason for the New Liberal Club joining forces with the LDP at the turn of the year — though Japanese political sceptics suspect that the real price was a Cabinet seat and a lot of under-the-counter money. However, if the dialogue argument is pursued to its conclusion, it leaves open what, if any, meaningful role the Diet would have in Japanese political life.

Commensurately, there seems less interest these days in Mr Ishibashi's notion of an alternative coalition, featuring all the opposition parties, excluding the Communists but including dissident elements of the LDP, most notably Mr Tomio Komeito.

Identity

However this does not mean that a centre-right coalition is in the process of forming quickly. The popular view in Japan is that the New Liberal Club is almost bound to be swallowed up by the LDP and lose its own identity.

Neither Komeito nor the DSP are in a hurry to sign their own death warrants (though the DSP does seem intent on dropping the word "socialist" from its name), and will watch events flow.

This caution gives Mr Ishibashi at least a little hope. For several months after the election he found himself wrestling with an age-old DSP problem — whether or not Japan's self-defence forces are constitutional, legal, both or neither.

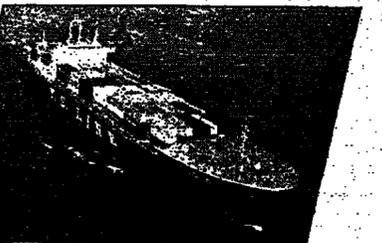
In practice, he feels they cannot be disbanded. But the fact that the debate attracted so much attention is indicative of the baggage still to be shed if the DSP is to be perceived as a potential governing party.

In last year's campaign Mr Ishibashi used to say it would take "two elections" (after the last one) to get the LDP out of power; just after December 18th, it looked as though there were reasons for his confidence, not this summer, however.

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What liberalising the yen will mean

A 64-PAGE report detailing proposed changes in the way Japan regulates the trading of yen overseas, and some aspects of its domestic capital markets, produced in May by the Japan-U.S. working group on yen/dollar exchange rate issues.

The document's theme is one of internationalising the Japanese economy and currency. As such, it has been generally credited as a victory for a forthright team of U.S. negotiators.

It seems improbable, however, that the agreement would have been produced at all if it did not also embody underlying Japanese desires. The U.S. threw its weight into a domestic argument between the progressives and conservatives of Japan's own financial establishment. It helped accelerate the process of change, while presenting Japan with the opportunity to make market-opening "concessions," politically a relatively painless nature.

Here are some of the major points from the working group report, with a subjective assessment of what they mean:

The working group expected that comprehensive measures to internationalise the yen and liberalise Japan's capital markets, which are primarily aimed at achieving world economic efficiency and fulfilling Japan's responsibilities as the second largest economy, will lead to a stronger yen.

The United States believes the Japanese yen has remained artificially weak because Tokyo has regulated its accessibility to foreigners, and held down yen interest rates. This, the U.S. believes, has given Japan's exporters an unfair cost advantage.

Whether the yen will actually strengthen as a result of these liberalisations is a moot point. In the short term, it will probably weaken if more money flows out of Japan than in, and borrowers issue yen bonds for conversion to other currencies.

The longer-term trend depends on Japan's underlying economic performance, for which the outlook is healthy enough.

The Japanese Ministry of Finance affirmed its intention to proceed on the deregulation of interest rates on



ROBERT COTTRELL assesses the effects of wider overseas trading of the yen and the country's moves to modernise its banking and financial system

deposits as expeditiously as circumstances warrant without causing market instability... the Ministry of Finance outlined an approach initially centred on the liberalisation of large denomination deposits, then moving on to interest rates on smaller deposits.

The Ministry of Finance had little choice, given the imminent development of a large offshore market in unregulated yen instruments, and the need to refinance government debt. Short-term yen interest rates will probably rise as a result of deregulation, while corporate borrowers may find long-term yen gets cheaper thanks to the affection with which bond-buyers are likely to view blue-chip Japanese issuers.

But how far will liberalised interest rates "trickle down" towards the small Japanese depositor, whose returns are regulated—kept low—by an official cartel? Innovating for the small customer is a task ahead for competitive-minded Japanese banks.

"A market in short-term

government debt is one of the subjects to be studied... to achieve the refunding of Japan's government debt, it will be necessary to diversify the range of government debt instruments in terms of maturity and other characteristics."

The U.S. wants Japan to create attractive yen assets for foreigners to buy and trade, such as Treasury bills. The Bank of Japan wants a Treasury bill market within which to conduct open-market interest-rate operations. Japanese conservatives in MoF are not so sure. They believe government debt should be financed with cheap long-term bonds, while Treasury bills are a temporary expedient for cash-management purposes only.

The Ministry of Finance will establish a concrete scheme by the end of 1984 for the creation of a yen-denominated bankers' acceptance market. It is expected that the market will become operative shortly thereafter.

Bankers' acceptances are a form of negotiable bill used in trade finance. Supposedly, a yen-denominated market will help exporters of goods into Japan, by providing a tool to manage exchange-rate risk.

Bankers' acceptances may prove an interesting financial market in themselves, but it is hard to see them having a marked effect on underlying trade, U.S. dollar invoicing, for instance, must rank low on the list of reasons why Japanese cars sell so well in the U.S.

The Ministry of Finance is prepared to assist non-Japanese securities firms in efforts to join the Tokyo Stock Exchange.

If that is, any foreign securities firm is keen to pay the US\$5m which a seat on the TSE is likely to cost. Brokers say that, in strict payback terms, it is not worth joining. Better to be a branch, and pay split commission to a broker. But a TSE seat might be good public relations for a foreign broker going after big Japanese clients.

Qualified securities firms can get approval to open branches in Japan, if they wish to deal with Japanese residents they should proceed in this way.



Shintaro Abe: explaining Japan's import problems to the U.S.

| BALANCE OF PAYMENTS (\$m) | | | | |
|--------------------------------|---------|---------|---------|---------|
| | 1982 | 1983 | 1984* | 1985* |
| Imports | 119,291 | 112,510 | 122,282 | 137,515 |
| Exports | 138,021 | 145,071 | 158,092 | 174,361 |
| Trade balance | 18,730 | 32,561 | 35,810 | 36,846 |
| Invisibles balance | -9,890 | -8,704 | -9,067 | -10,319 |
| Transfers | -1,352 | -1,601 | -1,766 | -1,950 |
| Current balance | 7,489 | 22,256 | 24,977 | 24,577 |
| Excluding oil bill | 53,458 | 61,861 | 64,314 | 67,424 |
| Long-term capital (net inflow) | -14,972 | -18,278 | -18,882 | -15,769 |

Source: Daiwa.

Japan's seven licensed trust banks. The main attraction is a chance to manage Japanese corporate pension fund money. With U.S. pension funds also investing more abroad, the big money-management institutions see the future in global terms—necessitating a leg in each of Europe, Japan and the U.S.

Will they win Japanese market share, or serve as a whetstone to sharpen up Japanese managers? History suggests the latter.

The Ministry of Finance has taken up and will take various policy measures to help develop the Euroyen market... effective December 1st 1984 non-Japanese private corporations, state and local governments and government agencies, as well

as national governments and international organisations will be authorised to issue bonds in the Euroyen market... a number of steps have been taken to liberalise Euroyen bond issues by Japanese residents... there will be no guidance, restrictions or requirements on lead managers or Euroyen bond issues.

Foreign banks will be able to compete for the most profitable roles in Euroyen loan syndicates. Euroyen borrowing is likely to be more flexible and finer-priced for bond-issuers than in the "samurai" market of foreign yen-denominated bonds issued within Japan.

But even there Japan is a frugal buyer: while its exports increased 17.5 per cent in volume terms between 1980 and 1983, imports fell by 1.5 per cent.

Only half Japan's imports are oil. On a per capita basis, it imports half as much manufactured goods as the European Community, roughly one-third as much as the United States. Of its exports, 97 per cent are manufactured goods, including machinery, cars, and electronic products.

Protectionist measures abroad have made Japan highly sensitive to "trade friction." The U.S. is protecting its motor car and motor-cycle industries by restricting Japanese imports. The EEC is restricting video tape recorder imports. Japan is paying lip service to the need

The reluctant importer starts to change

IN FEBRUARY this year, Japan's Finance Ministry announced the country's trade surplus for 1983 — a record U.S.\$31.5bn.

Mr Shintaro Abe, the Foreign Minister, happened at the time to be in Washington. He was trying to explain to U.S. leaders the extreme difficulties faced by Japan in increasing its imports of American beef and oranges from existing quota-level of 30,000 tons of beef, and 82,000 tons of oranges respectively. A month later, Japanese negotiators eventually conceded an agreement to near-double imports of U.S. beef, and increase by half imports of U.S. oranges, over the four years to 1988.

Farming lobbies howled in protest, but Japanese trade economists were unperturbed.

This hard-fought agreement would be lost in the decimal points when it came to measuring Japan's visible trade surplus with the U.S., which totalled \$19.3bn in 1983, up from \$16.8bn in 1982.

Japan's seemingly ludicrous concern with a small quantum of agricultural imports illustrates the important structural feature of its vast trade imbalance. The problem is not really that Japan exports too much but that it imports too little. To exacerbate the situation, its exports are virtually all manufactured goods. Lacking natural resources, Japan must import raw materials, including 80 per cent of its energy needs.

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to increase its imports, but without apparent effect. Japan is a reluctant importer, in part because it is still emerging from an "export-or-die" era of post-war economic reconstruction. Analysts say that Japan has no historic tradition of foreign trade; that vertical integration of stockists, wholesalers, producers and sub-contractors leaves few points of entry for foreigners into the Japanese market; that foreigners have not invested enough people, time or skill in understanding Japanese tastes and business practices.

More subjectively, it is worth pointing out that Japanese manufactured goods are, by and large, well-made, well-designed, supplied and serviced on time, and competitively priced in export markets.

Dismantling

Japan is now in the process of dismantling most remaining formal tariffs on manufactured imports, and removing some formal "non-tariff barriers", such as specialised testing requirements. Diffuse non-tariff barriers such as bureaucracy and prejudice cannot, however, be legislated away.

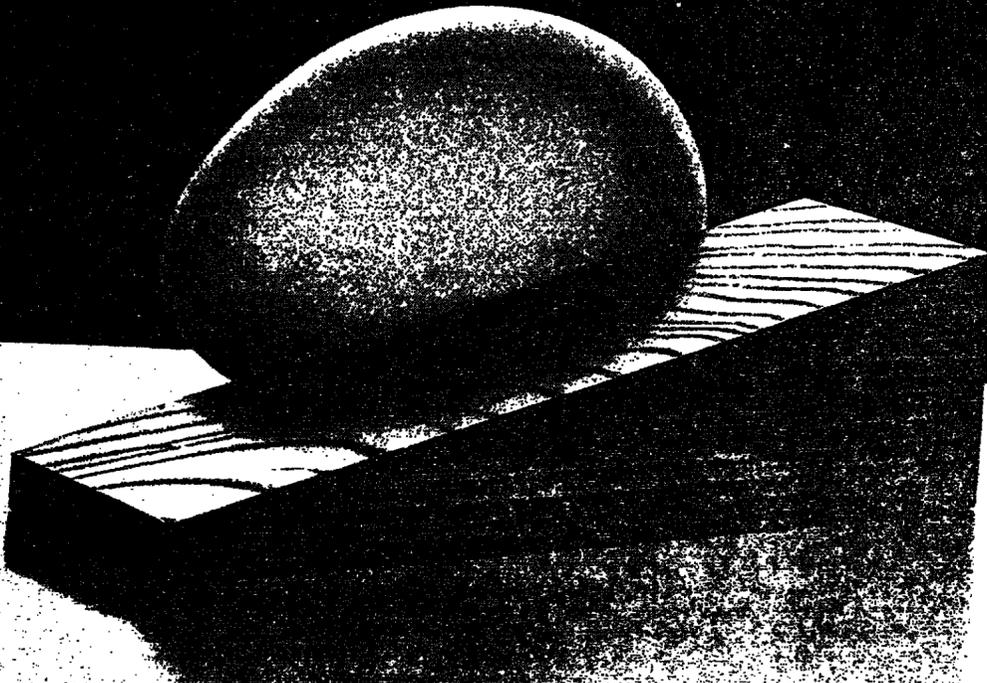
The Japanese government, under pressure from industrial lobbies, sooner or later may confront farmers' wrath and allow more agricultural produce to be imported. The gerrymandering of Japanese constituency boundaries means that the ruling liberal democratic party as a result may lose some crucial votes from farmers. But, say industrial lobbyists, it will pick them up from the consumer.

Japanese industrialists do not themselves have the good of the consumer at heart, so much as a fear that much flagrant agricultural protectionism may provoke countermeasures overseas against Japan's manufactured exports.

Recent moves led by the U.S. to deregulate the Japanese financial system are also founded in the twin hopes that the yen will rise, making Japanese exports less competitive; while foreign institutions will have more chances to earn profits in Japanese capital markets. The latter hope is more likely to be realised than the former. RC

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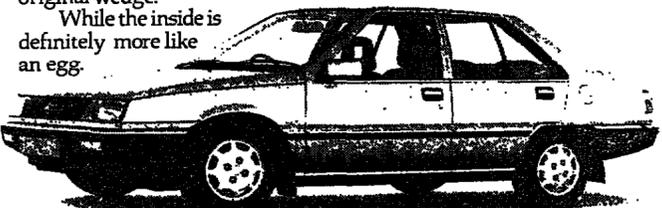
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JAPAN 6

The financial sector has been much slower than industry to internationalise

Switch to a more extrovert approach

Banking

ROBERT COTTRELL

JAPAN'S banking system underwent its major transformations during the Meiji restoration, and in the period following the second world war, including the U.S. occupation. Since then, so little has changed that, while Japanese industry is among the most modern and progressive in the world, Japanese finance has remained introverted and antiquated.

Successful international pressure on Japan to internationalise its economy and deregulate its financial markets is beginning now to result in a third major upheaval for the financial sector. The first phase of this current round of liberalisation is designed to make easier the lending, borrowing, and holding of yen overseas — Euroyen — and to open up particular areas of Japanese finance to foreign institutions.

These developments are likely to provoke a second phase of liberalisation, this time of domestic capital markets, to restore the competitive position of Japan's own financial institutions.

Strong deregulation

These phases of liberalisation may take several years to complete. Without foreign pressure, changes probably would still have come, but would have taken even longer to implement. The long-term outcome is likely to be domestic financial markets substantially deregulated in theory, perhaps also in practice. The Euroyen market is likely to be, again at least in theory, as deregulated as present-day Euromarket trading of offshore U.S. dollars.

The failure of Japan's financial sector to internationalise in tandem with its industry is open to several explanations — the simplest being that the country's prosperity has been built on keeping its capital at home while sending its products overseas. The Japanese government, through the Ministry of Finance and the Bank of Japan, has in the post-war years managed a tight and largely leak-proof system which

has channelled cheap funds from private savers to, first, the corporate sector and, latterly, the government.

Mr Andreas Prindl, a former Tokyo general manager of Morgan Guaranty Trust, compares Japan's monetary authorities to the choro, or elders, of a rice-paddy village, whose duties included the allocation of scarce water to individual farmers. The choro would make their allocation on the basis of the benefit of available water, not to the particular farmer, but to the village as a whole.

The most important job for Japan's financial bureaucrats, says Mr Prindl, has been to play the role of choro in allocating scarce capital to the most potentially fertile sectors of the Japanese economy during periods of national reconstruction and growth.

The country's financiers have a history equalling that of their European counterparts. In the 17th century, there was a lively market in foreign exchange trading and arbitrage between Osaka, which favoured a silver-based currency, and Tokyo, which used a gold standard. By the mid-17th century, Osaka recognised 10 note-issuing banks, and a bankers' association which functioned as the bankers' own central bank.

The period of the Meiji restoration (1868-1912) and the World War II aftermath both saw Japan struggling with remarkable success, to build a diversified industrial base virtually from scratch. By the end of the 19th century Japan, which had been closed to the world for 250 years to 1853, had built up capacity in each major class of heavy industry.

During the Meiji period, the Japanese Government made some quick experiments in the banking sector before arriving at its preferred structure. U.S.-style national banks were licensed, with note-issuing powers. The first, established in 1873, was called "Daishi Kokokai Ginko," alias "First National Bank." A year later a system of postal savings began. (Depositors with Japan's postal savings bank enjoy today tax advantages and preferential interest rates which help generate a steady flow of funds for investment into public sector project finance and debt — a social role which is likely to guarantee the preservation of a

strong postal savings system whatever realignment may affect other Japanese credit institutions.)

In 1982, the Bank of Japan was established, to occupy a position analogous to the Bank of England, and the note-issuing powers of the private sector were ended.

The presiding financial genius of the Meiji restoration was prince Masayoshi Matsukata, Finance Minister, whose major achievement was the 1882 Banking Act. He oversaw creation of the Yokohama Specie Bank in 1880, a specialised part-public part-private foreign exchange trade finance bank which was later to become the Bank of Tokyo.

Joint projects

Other specialised banks set up as joint public and private-sector projects were the Nippon Kangyō Bank, Hokkaido Takushoku Bank, and the Industrial Bank of Japan in 1903 for long-term loans to industry for capital investment.

The second, post-war restructuring of the Japanese financial system began with the loss of banks' overseas branches, and much of their local business. National defeat and U.S. occupation saw all colonial and special rights banks closed, and the imposition of U.S.-type regulation separating banking and securities businesses.

The Japanese government set up a series of particular banks to do urgently needed jobs. These were not so much entrepreneurial institutions as simple channels for applying designated funds. New publicly funded credit institutions included the People's Finance Corporation (1949); the Export-Import Bank of Japan (1950); the Japan Development Bank (1952); the Housing Loan Corporation (1950); the Agricultural, Forestry and Fisheries Finance Corporation (1952); the Small Business Finance Corporation (1953) and others to follow, each raising its funding from government capital or debt.

Long-term credit banks were reorganised in 1952, now on a purely private-sector basis, with the special privilege of being able to issue long-term assets. Short-term business was to be the province of mainstream commercial banks, which could not raise long-term debentures, but funded instead through call and time deposits of up to two years.

Many private-sector banks failed to survive: Japan had 418 commercial banks before the war, 64 after it (in 1901, it had 1,857). The surviving commercial banks fell into two main categories: city banks, with large urban deposit bases, and regional banks, typically smaller and more rural. The largest city bank, Dai-ichi Kangyō is, in total asset terms, the largest bank in the world.

The regional banks are on average one-third the size of the city banks, and essentially competing for the same type of business — retail and corporate short- to medium-term lending. These banks cannot issue long-term debentures, but can draw retail funds from extensive branch networks. Regional banks can offer customers a slightly higher interest rate on time deposits than can city banks, a feature of Japan's managed interest-rate structure.

Compartmental

The third major category of commercial institution is made up of the "trust" banks, seven in total, licensed to undertake trust business including the management of pension funds, and the sale of investment certificates to the public.

Thus the basic differentiations between Japanese banks have come to be that: only trust banks can undertake trust business; only long-term banks can raise long-term debenture funds; only city and regional banks can have extensive branch networks, while regional banks can pay slightly more interest to depositors to

compensate for their smaller size; and no bank can underwrite issues of securities.

Such a compartmentalised system has helped the Japanese government allocate scarce capital resources to the private sector, with demonstrable success. But with the Japanese economy now in a mature phase, companies have started borrowing less and saving more, while individual savings are still high, by world standards if not by Japan's own historic levels. The Japanese government has in the last 10 years taken over as the country's major net borrower, funding a series of budget deficits with bond issues.

Japan's monetary authorities downgraded "window guidance" as their preferred means of credit control in the mid-1970s. The guidelines have been instructed to individual banks on how much they should lend to individual sectors and sometimes to individual borrowers.

Instead, the government adopted interest-rate management as its principal tool of monetary control. This involved influencing expectations about future interest rates through "open market" operations. This policy in turn required the opening-up of markets to influence: by 1979, interest rates in bill discount, call, and yen certificate of deposit markets were deregulated.

However, this freeing of rates stopped short of rates paid by banks to their own depositors. Critics say the government has a vested interest in keeping banks' deposit rates low, because it helps the banks buy bonds from the government at artificially high prices, thus reducing the cost of funding the budget deficit.

The Japanese government has promised a "step-by-step" liberalisation of interest rates on larger deposits, effectively making a virtue out of necessity. The approaching maturity of large tranches of government bonds is already beginning to offer more sophisticated deposit-

tors the prospect of unregulated but effectively risk-free short-term returns.

A liberalised Euroyen market will offer a correspondingly deregulated long-term market to lenders and borrowers, presumably heralding the end of the cartelling of long-term prime lending rate in Japan itself.

Strengthened

Liberalised interest rates are likely to strengthen the position of banks already skilled at managing their liabilities — the city banks, the largest regional banks in particular. City banks may also prosper from the promised entry of foreign banks into trust business in Japan which, by ending the trust banks' specially-protected status, can only have hastened the day on which other Japanese banks, too, will be allowed to compete for trust business.

The entry of city banks into trust business would help them build up portfolios of long-term business. It would also cut into trust banks' traditional source of funds, pressuring the trust banks themselves in turn to expand their non-trust mainstream banking business.

If it is possible to see the breakdown of formal distinctions between long-term and short-term banking business in Japan, the distinction between banking and securities underwriting seems more secure — if only because the United States, maintaining its own such distinction, can hardly press for abolition.

Perhaps Japanese banks will in time be allowed, through offshore subsidiaries, to lead-manage Eurobond issues, in which case the door will have opened more than a crack. The bankers themselves, having felt too long on the defensive against the aggressive, fast-growing securities houses, are urging the logic of such a development.

Competition begins to work in favour of the outsider

Bond Markets

JEREMY STONE

THE RECENT Yen liberalisation agreement between Japan and the U.S. lends itself to a fair of natural but opposed interpretations.

The first is that faced with the sight of Mr Regan huffing and puffing with threats to blow down the doors of the Tokyo marketplace, the Japanese managed to get away with scarcely any serious damage.

On this view they gave up little more than a promise to let foreign institutions into the waiting room at the Ministry of Finance. It may well be that the opening of the trust banking business to foreign banks is going to be of this frustrating character.

Genuine concessions

In contrast, the changes which have been made to the Yen bond markets may amount to genuine concessions, however circumscribed. The relaxation on credit ratings for foreign borrowers of domestic yen, and the extended list of Japanese borrowers qualified to present themselves in front of Euroyen lenders could result in a simultaneous broadening

of the Samurai and Euroyen markets.

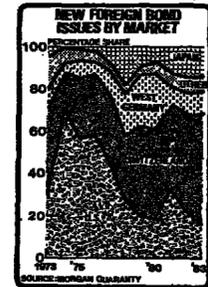
However, the relaxations do not appear to apply symmetrically in the two markets, so that there is every prospect that the expansion of Euroyen activity — regarded by the U.S. Treasury as a precondition for internationalising the yen — might take much of its impetus from a rising back in the volume of samurai issues.

This is because, despite the official loosening of conditions on the issuance of samurais, the process of getting a domestic yen bond off the ground is — in the words of a leading participant in the market — harrowing in the extreme.

To grapple with the samurai market is just not a rewarding business; disclosure requirements are expensively detailed, and in Tokyo yields are so compressed that differences of 5 or 10 basis points can become a life or death negotiating matter.

Moreover, the cartelised nature of bond underwriting arrangements in Tokyo normally means that although the four lead managers may compete furiously with each other to get the business, they afterwards collaborate in ways at which borrowers look askance.

In the last two or three months it appears nevertheless that intra-mural competition has been working to the advantage



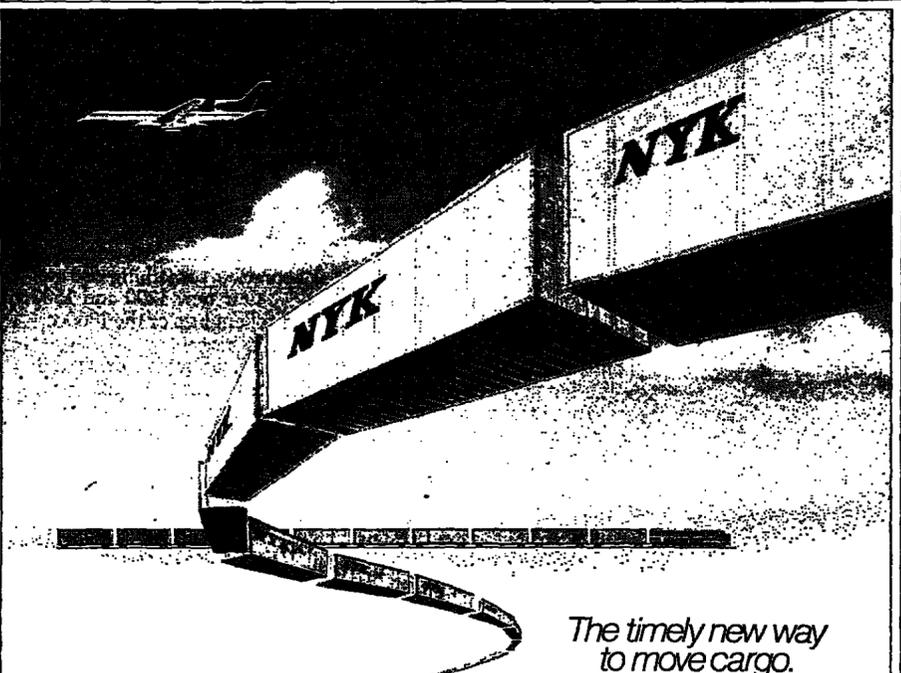
The Samurai Underwriters Association has expressed doubt as to the chances of going ahead with the ¥90bn (\$37bn) of issues currently scheduled for August.

In the light of such difficulties, the remaining shackles on the Euroyen market are negligible. Except for the unfortunate 180-day embargo on bringing these issues back to the domestic lender, Euroyen bonds ought to become as free a market as any other denomination of Eurobond.

The offshore arena is clearly more comfortable for corporate borrowers — corporate samurais have been an awkward species from the very beginning five years back, when Sears, Roebuck floated the first unsecured bond in Japan since 1933 — into an unresponsive market. And for sovereign borrowers, in whose interest the samurai market was opened in the first place, the position is scarcely different.

The main puzzle is why, with so few Japanese assets to fund it, non-Japanese should wish to borrow yen at all. If the persistent Japanese surplus is allowed to cause an appreciation of the yen, the low nominal coupons on yen bonds could prove something of a snare.

But perhaps borrowers just disbelieve the propaganda which says that the yen is no longer going to be a managerially depressed currency.



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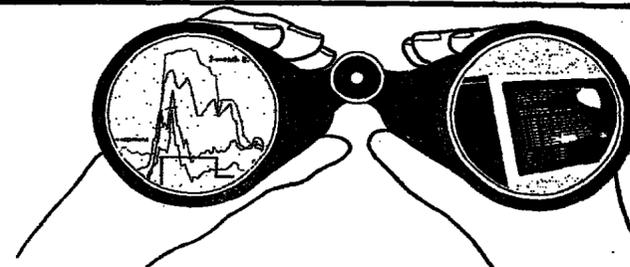
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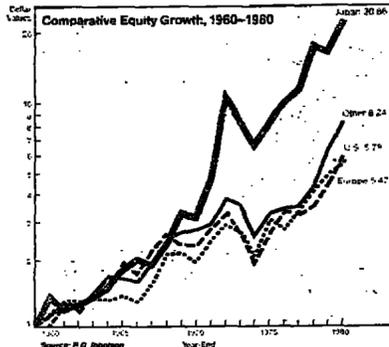
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JAPAN 8

Businesses which know no frontiers

Trading houses

ROBERT COTTRELL

JAPAN'S NINE giant "sogo shosha," or general trading companies, must tire of reading their own obituaries. They appear to have discovered the secret of perpetual obsolescence, remaining in business while always seeming to be on the way out of it.

The strongest survived even the methodical dissection imposed by Japan's post-war U.S. administration. Mitsui and Company, then the largest sogo shosha, was split into over 200 separate companies in 1947. By 1959, it had reassembled, and now handles more than 10 per cent of Japan's exports.

Sogo shosha are businesses without frontiers, merchants of commodities, manufactured goods and turnkey projects. They handle Japanese exports and imports, transactions inside Japan, and business solely between overseas buyers and sellers. This last category of offshore business is small and unimportant, but the "big nine" sogo shosha's aggregate sales—both growing.

The sogo shosha are among the last unqualified promoters of "big is beautiful." The big nine handle, between them, over half Japan's foreign trade. Marubeni Corporation proudly notes that its offices exchange every day, enough information to fill 1,400 pages of the New York Times. They are, individually as well as collectively, larger traders than most sovereign states. Mitsui and Co. became in 1982 the fourth largest exporter of goods from the U.S., after Boeing, General Motors, and General Electric.

Diversified

Companies and governments abroad have talked of copying the sogo shosha form—South Korea having come closest in practice with its own diversified conglomerates. The time may well have passed, however, at least for other developed and near-developed countries. The Japanese pattern suggests that the companies of the sogo shosha need to grow up alongside a manufacturing and trading sector, rather than being graftable on later.

The financial statements of a sogo shosha would horrify a return on bank credit analyst if they were published by almost any other company in the world. Debt towers over a tiny equity base, yielding a small, volatile net return.

Sogo shosha look like they could be wiped out by a bad year: but the oldest are into their second century of business.

Sogo shosha owe their surprising strength to being part of a larger system. They are skilled in day-to-day dealmaking, but their growth and present size owes more to their—or their past parent—companies—strategic and diploma-

tic skills in creating industrial and commercial affiliates which became the sogo shosha's prime customers, and developing enduring client relationships with other existing companies.

The sogo shosha's most important historic relationships are with particular large banks, guaranteeing them a degree of financial stability far greater than that apparent from their balance sheet. Mitsubishi Corporation is linked to Mitsubishi Bank; Mitsui and Co to Mitsu Bank; Marubeni Corporation to Fuji Bank; C. Itoh to Dai-ichi Kangyo Bank. These banks rank among the largest in the world in asset terms.

Groupings

The banks help cement, through common client relationships, the sogo shosha's relationships with the companies which provide their "core" product lines. The tightest grouping is that around Mitsubishi Corporation, now the largest sogo shosha.

Mitsubishi Corporation was originally the sales department of a shipping-based conglomerate founded in 1870. The shipping company made big profits from government contracts, and diversified into banking, shipbuilding and mining. In the 1930s, encouraged by the Japanese government, it started building warships and fighter aircraft, including the "zero" fighter.

After the war, the Mitsubishi "zaibatsu" or conglomerate was broken up into individual companies, and Mitsubishi Corporation, its general trading arm, was also broken up into 180 smaller units, by U.S. occupation administrators who viewed it as an unhealthy concentration of economic power.

Mitsubishi Corporation reassembled itself in 1959. Mitsui and Company, though no longer under the same holding company, retained their ties with Mitsubishi Corporation, and Mitsubishi Bank to form an "enterprise group" including Mitsubishi Mining; Mitsubishi Metal; Mitsubishi Heavy Industries; Asahi Glass; Kirin Brewery; and literally dozens of other manufacturing

finance and service companies. The Mitsui enterprise group is looser-knit, the Marubeni enterprise group looser-knit still. Marubeni belongs to the "Fuyo" group, a commercial grouping which sprang up in the 1950s centred on the Fuyo Bank.

C. Itoh is the largest of three sogo shosha grouped around the Dai-ichi Kangyo Bank, a circumstance arising in part because Dai-ichi Kangyo is the product of a merger 10 years ago between the Dai-ichi Bank and the Kangyo Bank, each of which had its own respective client groupings.

The big sogo shosha managed to survive the post-war dissection, in part because the Japanese Government wanted them to do so. The post-occupation government blessed their reconstruction but, on the 1950s channelled to them precious foreign exchange, second in line only to the manufacturing companies without which there would have been nothing for the sogo shosha to export.

The Japanese Government of the time had also blessed the birth of the first sogo shosha in the 1870s, when it wanted Japanese trade in Japanese hands and away from the foreign companies which controlled it. The Japanese Government had before it the unedifying example of China's territorial integrity being continually undermined by the demands of foreign governments for ceded or leased trading posts, such as Hong Kong.

But if sogo shosha were needed then, are they needed now? Detractors liken them to dinosaurs: large, unwieldy, left behind by economic evolution.

The sogo shosha, say critics, are on their way out because: JAPANESE INDUSTRY now is led by its car and electronics manufacturers, which prefer to do their own sales and distribution. The more sophisticated a manufactured product, the more it needs its own, specialised, sales and after-sales service network.

Sogo shosha look likely to handle a decreasing proportion of Japan's increasingly high-technology exports. JAPANESE BANKS are finding loan demand slack, as slower economic growth means companies are making less capital investment, and using profits to repay debts. In the past, banks have lent "wholesale" to sogo shosha, for the sogo shosha to provide "retail" trade finance, and sometimes investment, and capital to customers. In thinner times, banks may prefer to go straight to the smaller customer, rather than via the sogo shosha.

GROSS PROFIT MARGINS are falling from an average 1.9 per cent five years ago to 1.4 per cent this year for the big sogo shosha, a symptom of stagnant turnover and rising costs. Sogo shosha have large and expensive inefficient professional staff—they hire bright graduates,

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- Providing trade finance for a deal, perhaps also pre-empting equity or long-term loan finance.
- Getting through international red tape with legal advice and documentation.
- Transport of goods.
- Gathering of information, both for customers and for own credit and risk analysis.

but as generalists rather than specialists, despite the increasing need for specialists to win higher-technology business.

Rather than presume another obituary, it is worth looking at where the sogo shosha are catching up. They account for some early investments in the new communications technology which promises massive capital projects in Japan over the next decade: Mitsubishi Corporation is one of the founder management group shareholders in "daini densen," the consortium which hopes to become Japan's second common carrier of telecommunications following next year's planned deregulation of the industry. Mitsui and Co, and Marubeni Corporation, are investing in cable television, and data-communications circuits.

At the other extreme of commercial sophistication, the sogo shosha are well placed as intermediaries for the barter trade which has become increasingly popular with cash-strapped developing and communist countries. A Japanese car manufacturer, offered payment in coffee or cabbages, would be perplexed. For the sogo shosha, coffee and cabbages are just cash by a different name.

Shizuo Takano, senior managing director of JVC, talks to Jurek Martin

Exposing some myths about Japan

THOSE WHO believe that all Japanese businessmen are dull and overzealous should try sitting down with Mr Shizuo Takano, the senior managing director of JVC—who is sometimes described as the "father" of the VHS system video cassette recorder.

The truly fortunate will find Mr Takano holding court at his favourite establishment, a classic Japanese restaurant called Keigetsu, tucked away in a back street of Yokohama, where he was born in 1923. Here, on his home turf, he really unwinds, over several courses of inimitable food, liberally interspersed with misu-umori (whisky and water) or, in summer, shochu, the distilled Japanese liquor.

Small, tanned and trim, with a thick thatch of white hair, he displays a consuming interest in European affairs, with the labour situation in West Germany recently much on his mind. He also expresses particular likings for British pubs and taxi drivers, but less for Berlin's night clubs.

Weaknesses

But he really warms when he expounds on the nature of the Japanese company: its strengths and weaknesses, its role on the world stage, where it differs from its Western counterparts, and on its relations with its own government.

Q: What are the major lessons you have learned from leading JVC's overseas expansion?

A: An enormous number of things. The first is that some of the things that were said to be unique to Japanese workers aren't necessarily true. People said that Japanese workers are exceptionally diligent, manually dextrous and so forth, but our experience in the UK and in Berlin and with the European trainees we brought over to Yokohama simply did not bear that out. It is simply not true that Japanese workers have special characteristics.

"Nor is it true that European management is inferior to the Japanese. In fact, senior management in Europe works extremely hard and tends to have a complete view of what is happening in their company, which isn't always the case in Japan, where top management tends to lack overall information on what is going on in a company.

Different angle

"But you have to look at this from a different angle and take into account the different background and attitudes in Japan and Europe, in particular. Generally speaking, European society is far too well structured rigid even. For example, Oxbridge graduates are assured of getting to the top, it's all predetermined by society, whereas a repairman or a solderer is stuck with doing just that.

"But in Japan the organisation of society is not so rigid. Prime Ministers here have been sons of farmers, so repairmen or soldiers can just as easily become managers—the incentive to rise in Japan is much greater; so a typical worker will give ideas to his bosses and do extra work in order to get ahead. In Europe, often you are simply not allowed to do extra work.

"What this means is that in Europe top management has its own set of responsibilities which it resolves by itself. But in Japan we have a vast number of subordinates who are willing to do extra work, so once the Japanese executive is at the top of a company he actually can relax a little."

Q: Could you manage a European company?

A: Frankly, I have some doubts. Remember, I have all these subordinates at work for me. So when we have a business negotiation over there with a European company, we find ourselves dealing with one top executive whereas we Japanese tend to bring a large delegation



Shizuo Takano: major lessons learned

to be considered, tend to be what I call "wet" whereas in Europe, especially when you are dealing with just one senior executive, they are extremely "dry." Personally, I really enjoy face-to-face negotiations with an executive whom I know is trusted."

Q: Would you like to see Japanese companies run differently?

"Well, here in Japan virtually nobody audits the company's capital, which is very different from overseas. We do have auditors, of course, but, to be honest, they do not do much.

This lack of oversight makes Japanese management worry much less about capital costs than European and, though obviously, it is increasing that worrying too much about day-to-day finance can be a disadvantage. I think there is a need for greater surveillance over top management in Japan.

"A big reason for this is that today technology and product cycles have shortened so much. We used to reckon that one technology would last for years and we could live off it for a long time, but that is no longer the case. You get to the stage when you need to look over the company on a shorter cycle with review of managerial performance on a regular basis, which is something we don't really have in Japan.

"But this shouldn't simply be the old-fashioned balance sheet and public liabilities judgment. That's no longer adequate for the modern day. We should include such factors as management record, goodwill, planning, engineering skills, the number of patents we file, our dealer strengths, to get a sense of the "phenomenon" of the company.

"I am not afraid of evaluation by quarterly or semi-annual reports. And if you

CONTINUED ON NEXT PAGE

Corporate culture

JAPAN 9

Prosperity narrows class differences

Labour

ROBERT COTTRELL

IN THE restive post-war years, a frequent rallying cry of Japanese labour was: "Pay us enough so that we can eat." As economic reconstruction gathered speed, the demand shifted to: "Give us wages equal to those of European workers."

Japan's "catch-up" growth in the 1950s and 1970s rapidly brought living standards up to European levels. An approximate index of increased household purchasing power is provided by the diffusion rate of consumer durables in Japan.

In 1960, roughly one household in ten had a refrigerator or a vacuum cleaner, four out of ten a washing machine; by 1980, virtually every household had these appliances. In 1970 two households in ten had a car or a colour television set; by 1980, six out of ten households owned a car, while the proportion without colour television sets was statistically insignificant.

Four out of ten houses were air-conditioned in 1980, against one in 20 in 1960. Japan's per capita gross national product compares favourably with many European nations—higher than that of Britain, for instance, and lower than that of West Germany.

Wages are more evenly spread. On average, the Japanese company president makes 7.5 times the wage of a new recruit, according to the Japan Federation of Employers' Associations (Nikkeiren).

The federation reckons that the differential between presidents and entry-level workers in the U.S. and Europe is more like a factor of 30 to 50. In the Soviet bloc, says Nikkeiren, party officials make roughly 15

times the wage of a rank-and-file worker, excluding perks. Relatively compressed salary scales are probably one important factor in that state of mind which, according to a much-quoted survey, leads 90 per cent of Japanese to describe themselves as "middle-class" (a recent poll indicated that two-thirds of Britons believe themselves to be "working-class").

Another likely factor in Japan's bourgeois outlook is the country's high educational standard. Schooling is compulsory to age 15; but 94 per cent of students go on to upper secondary schools until age 18, of whom one-third then go on to universities.

Record

For many families, putting children through a private university is a major budget item: in 1982, it cost ¥116,630 a month (\$490), or 29 per cent of the average family budget, to put two children through university, according to a survey by the General Council of Trade Unions of Japan (Sohyo).

Rapidly-rising prosperity, and the absence of deeply divisive class-consciousness, have helped bring Japan an enviable strike-free record of industrial relations. In 1982, 540,000 working days were lost through strike action in Japan; compared with 5.8m in the UK, and 9m in the U.S.

Absenteeism in Japan is low, at least as shown in the most recently available statistics. In 1977, Japan's absenteeism totalled just two per cent of scheduled working hours, compared with 3.5 per cent in the U.S. In 1978, 7.7 per cent in West Germany in 1979, and 10.6 per cent in Italy in 1978.

While strikes as such are rare in Japan, demonstrations and brief stoppages by workers are relatively common. These occur

tend to be highly formalised shows of aggression, involving the wearing of armbands and headbands, and the use of loudspeaker vans with which publicly to harangue management.

Some sociologically-inclined students of Japanese industrial relations say the ritual trappings are used precisely in order to formalise and delineate the dispute, to indicate that the protesters are playing out a particular disruptive role which will not carry over into their orderly everyday work.

Most demonstrations by workers come at about the time of the so-called "spring offensive," or shunto, an annual bargaining period during which most companies agree the wage settlement for the forthcoming year. In the months before shunto, employers' federations meet to discuss the level of settlement which can be afforded. The actual bargaining process is led by the large heavy industrial unions, whose pay settlement "norm" is followed by smaller unions and companies.

Heavy industry has been at the top of the shunto pecking order since 1953, but is now coming under pressure from other unions, notably those of private-sector railway workers. These critics argue that Japan is outgrowing its heavy industry, so that the bargaining position of workers in that sector

is likely to grow weaker, depressing the overall shunto norm.

Trade unions in Japan are organised on a company basis, rather than by craft or industry. While a company cannot offer financial support to its house trade union, it can provide supporting services (including payroll deduction of union levies) and relieve officers from duty. Animosity towards management is not an integral part of the Japanese trades union outlook. In larger companies, the senior union officer may hold a position analogous to that of the personnel director of a large company elsewhere in the world.

Federations

In 1983, a total of 12,52m Japanese workers were organised into 74,486 unions, most of which were affiliated to four main federations. Union members accounted for 29.7 per cent of the Japanese workforce, a penetration rate which has been falling steadily from a peak of 46.2 per cent in 1950.

The Japanese unemployment rate has remained low—typically around three per cent over the last decade—in part because companies have been unwilling to lay-off surplus staff. Older office workers are given non-jobs rather than fired—and are nicknamed "madogiwazoku," or

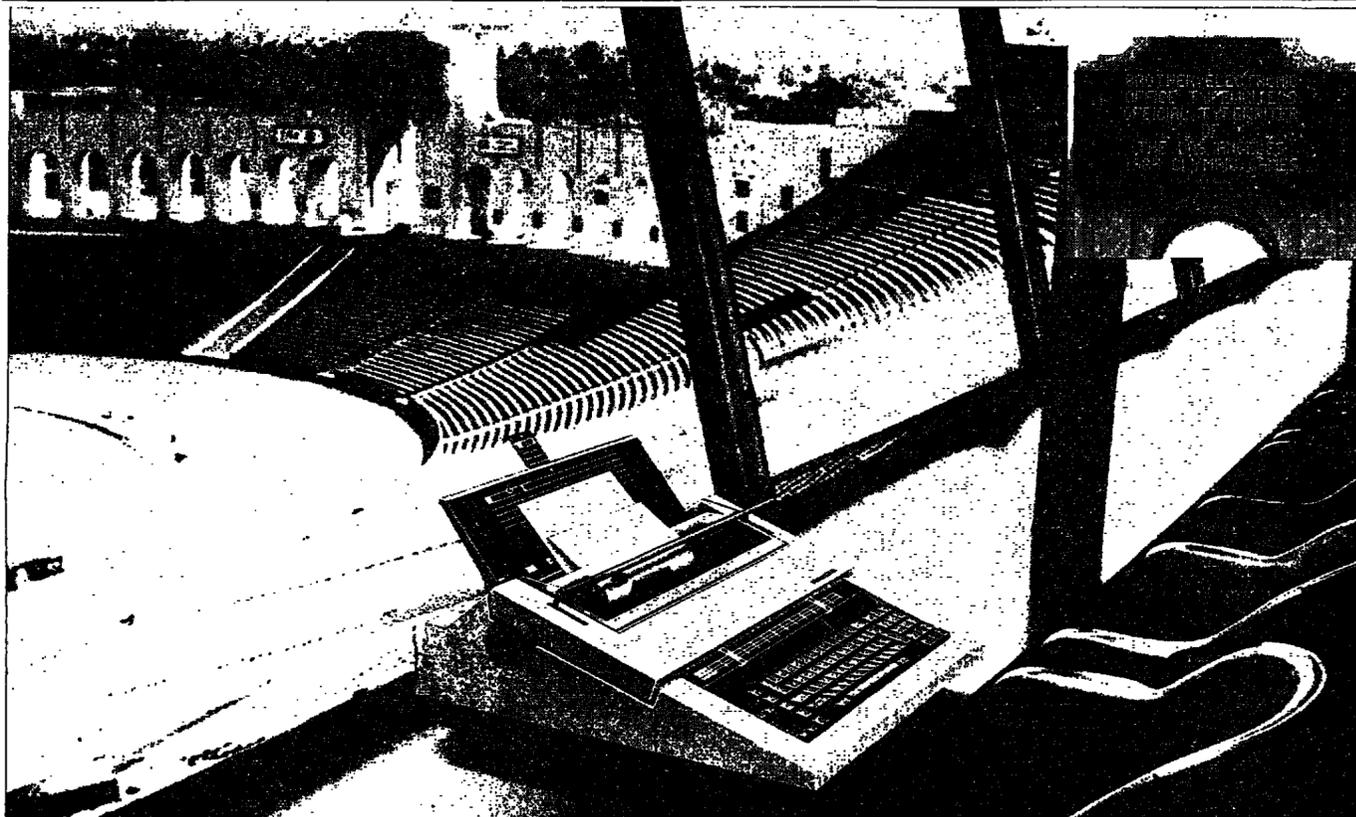
window-watchers. Factory workers may be assigned to other jobs, retrained as salesmen, even lent to other companies. The proportion of "surplus" workers at larger Japanese corporations has been estimated by analysts at between three and ten per cent.

For large companies, retaining unproductive workers is part of the company-worker bond known as the "lifetime employment system," a type of social contract which became widespread in the post-war period as employers competed to retain workers' loyalty in the face of an acute labour-shortage. "Lifetime employment" applies to permanent staff in big companies, thus to only perhaps one quarter or one third of Japan's total labour force. Such companies will retain a degree of flexibility by hiring "temporary" or "part-time" staff, who may be permanent in all but name and status, and by long-term sub-contracting.

It is the lifetime employees who have felt most fully the benefits of Japan's prosperity. Small company employees earn significantly less—perhaps 50 to 60 per cent of large company wages—and without the job securities or fringe benefits. Women remain seriously disadvantaged: a working female university graduate in her mid-40s earns on average half the salary of her male counterpart.



Wood turner at work. The absence of divisive class-consciousness has brought a collective attitude to work extending from the craft worker to employees of big companies and enabled Japan to achieve an enviable industrial relations record



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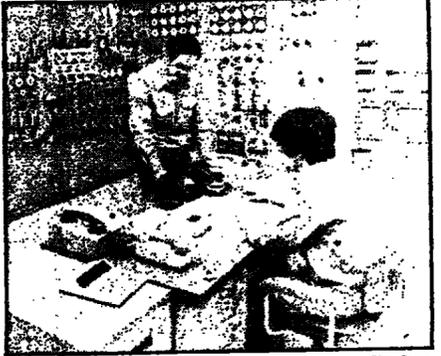
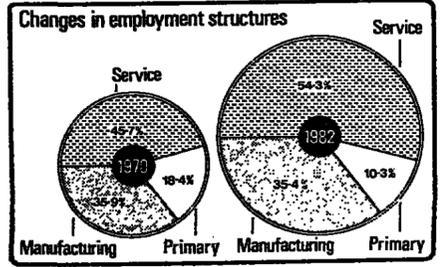
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Workers in a geothermal power station. Absenteeism in Japan is low and serious strikes rare.

Myths exposed

CONTINUED FROM PREVIOUS PAGE

add all the other factors I've just mentioned, you should avoid the dangers of too much short-term evaluation, but we really have not done that yet."

Q It is often said the Japanese political and governmental systems are too inward-looking. Is it up to business to make the country more internationally minded?

A "It is very difficult to generalise. There are so many differences inside industries and sometimes inside companies with some attitudes and individuals advanced, some not.

"But just take a look at the last ten years in industry — to make a value judgment has become much, much more complex. Ten years ago we simply went to Asian countries to avail ourselves of cheap labour, but now we go to Europe and the U.S., unthinkable ten years ago, to reduce unemployment there or expand markets there."

"We no longer do any business based on a simple philosophy (ie to make a profit based on cheap labour). We have to face the fact some countries, those which have advocated free trade, liberalism and democracy, are in difficulties. If they turn to Japan for help, we should try and give it."

"We now live in a much more complex global society and Japan's reaction to outside events has to be improved. It

has got much better but we could do more."

Q What about the government's role in this?

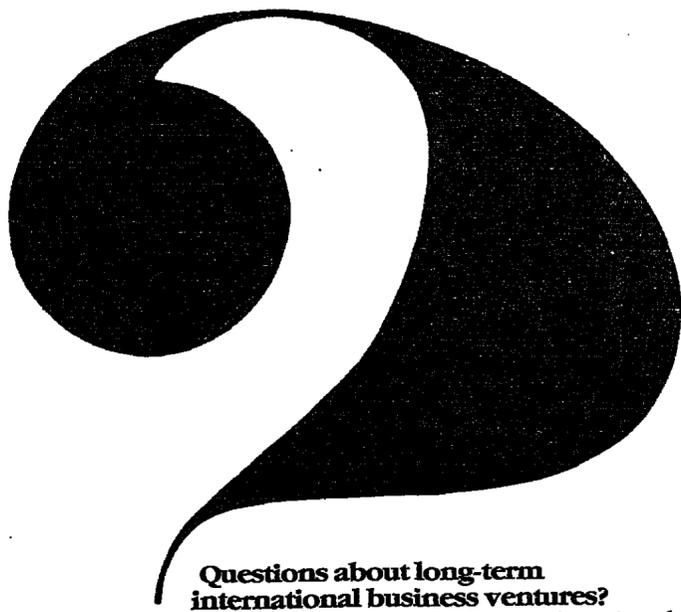
A "Look, Japanese bureaucrats may on the surface appear capable, even brilliant at what they do, which is policy making. But their performance simply isn't being watched enough."

"There are always one step behind what's happening in the real world. If they get pressures, they respond, but they don't realise the world has changed and Japan has a role to play in it. So they stick to an old-fashioned agricultural policy (of protectionism) and it is this sort of attitude on their part which has helped persuade other countries that the name of the game is to threaten Japan."

"Maybe in the last year or two the bureaucrats have got a bit better in certain respects but it is a long, slow process to convince them that Japan really is a member of the international community."

"The same goes to a degree for the politicians, who also tend to be too inward-looking. But you have to accept that their responsibilities are a bit different and they have to balance all sorts of considerations, more so than do the bureaucrats."

"One of the reasons why the LDP (the ruling Liberal Democratic Party) has been in power for so long is that it is very good at balancing opinion inside the party and in the country at large. And in that sense, I think they have done OK; in any case the alternatives aren't too great."



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Shopping precinct in Osaka. The big range of luxury goods on sale in Japan has changed a traditional society into a consumer society in the space of a generation

Chaos reigns in the offices of smaller companies Operating at the other end of the efficiency scale

Working Life

JEANETTE NEWTON

DURING MY first days of employment in downtown Tokyo, I would often rush off to the "ladies' room" around 10 am. My colleagues may have suspected I lacked bladder control. In fact, I was treating myself to the sight of the office cleaning lady—a tiny, wizened grandmother—laboriously travelling by hand the daily ration of two-ply toilet paper on to two separate spoils.

This activity, a full 30-minute task, was my introduction to Japanese frugality. More importantly, it opened my eyes to an apparent inconsistency: Japanese "inefficiency."

As a foreigner coming to work in a Japanese service company, I was prepared for a few surprises, but inefficiency was not one of them. I had imagined all companies to be mini-Mitsubishis. Actually, there are two types: the Mitsubishi and the others. And we are one of the others.

Somehow I had rather looked forward to using the latest in Japanese high-tech office equipment (a word-processor, perhaps even a small computer, with a robot to make the tea?). Instead my (shared) secretary clatters away on an ancient Snopake-beattered typewriter, the wires trailing dangerously three metres in mid-air to the nearest electrical socket.

The crowded working area is a jungle of paper, which swallows important and routine documents indiscriminately. During a recent move, no one seemed surprised to find unopened six-month-old mail from "our esteemed client" wedged be-

hind the filing cabinets. Consequently, cleaning is a thankless task which is rarely attempted.

I sometimes think the happiest inhabitants are the cockroaches who scavenge for the crummy leftovers to be had from last night's sushi bento (take away food boxes), still scattered around the office.

Still, one's working environment is not everything. So I tried to accept the argument that keeping up the "team spirit" necessitates a chummy noise-filled open plan style. When I need to do some serious dictation I can, after all, take refuge in that same ladies' room.

It's a little harder for my enraged clients to accept that they may have to wait a while for my call-back because the department's single outside telephone line (for 15 people) is occupied, but it's all part of taking a "long-term view," I guess.

Beaver away

Now, the relative inefficiency and lower productivity have to be compensated for somehow and the Japanese have a reputation for putting in long hours at the office. Here obviously was the secret. Sure enough, on the occasions I found myself churning out the paperwork at 11 pm an astounding 25 per cent of the staff still seemed to be beaver away.

What the casual visitor does not see, however, is that at 6 pm these people popped out for dinner, put in a quick game of mah jong or pachinko (advanced pinball) and sometimes a hefty drinking session—in the interest of furthering business contacts, of course. It surely couldn't have anything to do with the overtime pay each recorded evening brings in?

Perhaps I'm being uncharitable. After all, the sweaty odour in our planning department in the mornings is the best testimony to the fact that some of the men never went home at all, in an attempt to finish some urgent task.

Strangely enough, the burden of work does not seem to fall equally among employees. Recently, the office partitions were removed, to reveal another team of workers who spend their day studying the newspapers and perusing magazines, idly cleaning their ears and clipping their fingernails.

Admittedly, these are not future company presidents, but "madogawa-zoku"—literally, people who sit by the window—nose-starters who've been put out to graze (or window-gaze). Under the lifetime employment system they're guaranteed a job and, like everyone else they are regarded as part of our "family" and entitled to the same treatment as the high-flyers.

Luckily, there is no recession. Profits steadily increase and most companies seem able to afford the luxury of these less productive employees.

Of course, many of the perceived "inefficiencies" are simply cultural differences which my Western management training cannot help me to erase. It is frustrating, for example, to watch the Japanese ritual of sophisticated "consensus-forming" (nemawashi).

This involves my able assistant spending time out with members of staff departments in coffee shops, bars and (probably girly) night-clubs all over Tokyo explaining our plans and winning agreement to them. The meeting which ensues consequently has a foregone happy

ending, but still requires up to nine hours of mock debate. It is not a happy task, however, to explain to an international client why he consequently may have to wait several days for an answer to the simplest of questions. Or the stunned silence which greets his request for an opinion.

I will never forget the colleague who confided to me in the security of the Shinkansen (Bullet Train) buffet car after a lengthy but unproductive meeting with a client during which he uttered not one word. "I wanted to say something, but it would have been very impolite."

Changing slowly

Faced with all this, the Western businessman, unwilling to compromise himself and his ideals generally leaves Japan convinced that he can alter nothing. And the delighted Japanese readily concur that nothing will change.

Actually, they're wrong. Some things are changing—slowly. Our company president recently attended a slick presentation designed to gain a new client. He was surprised and mystified.

Ten years ago he would have used his old boys' network of university pals to spot new business prospects. A visit or two to a hostess bar (or, with a big fish, to a geisha house) could generally clinch the deal.

Today, securing a client in Japan requires facts and hard slog, maybe even spending money on market research and outlining detailed proposals. Mind you, they still seem to end up in a hostess bar afterwards.

Jeanette Newton is one of the relatively few foreigners in Tokyo working for a Japanese company.

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JAPAN 11

Future arrives while the past keeps its hold

JAPAN is one of the easiest places in the world in which to observe the way the exponential growth of high technology is changing the very fabric of society. Electronic gadgetry, bullet trains and robotised shopping centres meet the eye of even the least curious and few Japanese now question the importance which technological excellence plays in the future role of their nation.

Yet the overall picture of Japan's status as a driving force in technology, when viewed from the international level, is distinctly uneven. It is neither true that Japan is about to conquer the world with miracle-technologies hatched in government sponsored research laboratories, nor that the nation is a mere manufacturing machine relying on imported foreign technologies and lacking in the ability to handle its own research at the basic level.

A fundamental trend is clear towards a greater level of investment in research activities centred on increasingly sophisticated areas of technology, and many spokesmen in Japanese government and industry claim there is a supplementary drift towards placing a heavier emphasis on research as applied technology. Yet a strong product-orientation still persists within even the biggest research establishments.

An inextricable linkage to social and political institutions exists in such development and the country has, in many ways, had a liberal measure of good fortune in the happy match these have often offered to the needs of a modern technology-oriented society.

Efficient

Thus the historically overcrowded nature of the islands and the customary efficient utilisation of space, has favoured skills in the development of such items as micro-electronics and compact cars, and the intense competitiveness has encouraged determination and has added "hour-power" to the efforts of individual enterprises while the "wa" philosophy of seeking for perfection and consensus with one's colleagues has eased the potential strains.

On the negative side, however, an excessive concern with regularity and loyalty in employment has produced a work force which is very adaptable in terms of daily occupation but enormously inflexible elsewhere. In the older, traditional industries, where strict employment laws ensure worker security, there is overmanning while in the newer service industries under-manning is the rule as employers strive to avoid being over-committed at times of slack business.

This has resulted in a boom in part-time work upping the labour force with the associated lower wages and, in many cases, in a very real tyranny in terms of working hours and conditions. The long hours of which many office workers are so proud often less reflect the amount of work done than the inefficiency of office practice. "Office automation" is actually far behind that of many Western countries, in spite of the presence of impressive and well-publicised "showpiece" exceptions.

A dependence on leadership and initiative coming via the hierarchical, seniority-based structure of an organisation is also often contrary to the spirit of creative individual inquiry; something which emerges more readily in the freer structure typical in the West, and which is so vital to success in basic research.

Pressure

Political factors are clear in the moves to liberalise the telecommunications field, and to privatise the monopolistic Nippon Telephone and Telegraph Corporation (NTT). This change has been prompted largely by pressure from the business community which sees the efforts of free enterprise as more likely to effectively cut rising information processing costs.

The government's move to liberalisation is also prompted by the belief that this is necessary to stimulate technological advance sufficiently to allow competition with more experienced overseas competitors.

A new role for the celebrated government research laboratories must also be found in the near future, as enormous growth

TECHNOLOGY



Electronic gadgetry is changing the face of Japanese society, while the expansion in research programmes is making the big companies increasingly confident

in the available resources and research capabilities of the major private companies is making them increasingly confident in mapping out their own research territory, and less fearful of the consequences of being procurement contracts form organisation such as NTT, should they not support its joint research plans.

A further reason why in-company research is being encouraged, by such measures as tax-credits and subsidies is that the Government is facing severe budgetary difficulties, which have led to a stringent control of funds even for very important areas of scientific research, such as the Fifth Generation Computer project.

Political decisions are also a crucial influence in such key fields as biotechnology, where prospective changes to government policies controlling the reimbursement price for new drugs could have a major impact on the chosen direction of drug research undertaken by pharmaceutical companies. A big drawback to the predominance of company-based research lies in the natural tendency of businesses to consider market factors first of all, when deciding on new areas of study. This is noticeable in even the largest, most progressive, concerns such as NEC and Toshiba Corp but the trend is most consistent in smaller-scale firms.

Mitsuba Camera Company is a case in point. The company's Executive Director of R and D, Dr N. Tashima, pointed out that in the past there have customarily been, in each product area, two groups at work, a development group (engineering) and a technology group to support the former.

Excellence

Now Mitsuba is looking at a third area, characterised by the use of applied engineering to combine accumulated fields of technological excellence and bolstered by in-company research in basic technology wherever it is needed to develop an independent capacity to produce the software and parts specified for future products.

Major research is planned in the area of "electronic imaging," a new emphasis on "design work" and "company image" will be introduced and R and D spending will be held at nearly 6 per cent of total sales. Yet, typically, these changes never stray far from a concern with products and the change in emphasis is mainly reflected in the increasing use of words such as "venture planning," "imaginative approach to the market" and the "merging of technologies."

The Japanese belief is that such "positive thinking" when combined with hard work, a gradual move towards more creativity in research, and a continuing ability not only to purchase technologies from abroad but also to anticipate new foreign trends by means of extensive intelligence gathering operations, will be sufficient to keep the country on track. The Government's awareness of the huge dangers inherent in any failure to keep up technologically is reflected in its recent decision to submit to the Diet a revised "bill for the improve-

ment of technological development infrastructure."

This would provide new tax and financial incentives to promote the development of high technologies. The Government is also setting up a new nationwide information network system, focused on "techno-market" centres in big cities nationwide, which will help facilitate the buying and selling of patent rights related to high technologies and the exchange of information on technology advances.

Concern over Japan's progress, though of a different sort, is equally strong among foreign observers, and differences over Japan's policies are particularly acute in relation to the U.S. Government funding of research in Japan (approx. ¥1.6 trillion) as well below the comparable U.S. (defence excluded) figure of approx. ¥4.5 trillion, yet the U.S. remains concerned over the extent to which Japanese companies receive government support, and in particular over their allegedly superior access to government equipment procurements.

The U.S. Chamber of Commerce in Japan recently instituted a sub-committee on High Technology Trade Promotion, and this body has warned of Japan's superior intelligence gathering infrastructure, and of its growing prominence in areas of technology which are considered vital to both commercial and military applications. The

committee singles out large-scale computers and optical communications as two such dual-use technologies in which Japan has a significant strength, but names 10 other key fields in which the Japanese have the potential to reach a leading position internationally.

Arguments

Probably Japan's most significant success to date has been in the production of VLSI's. The arguments continue as to why Japan gained so great a lead in a key item like the 64 K Dram chip, but there is agreement on certain points. It is clear that as early as 1981 Japan wisely made a heavy commitment to the development of ultra-clean rooms, aided by the use of robotics and automation. Further efficiency was achieved by successfully implementing small "clean areas" within only relatively clean rooms, to cut costs. Japanese workers were also more co-operative than their foreign counterparts in agreeing to wear certain types of clothing and to avoid the use of make-up, both of which can contaminate.

More recently this all-important cleanliness in operation has also been improved by raising the purity specifications of the basic materials which go into wafer production.

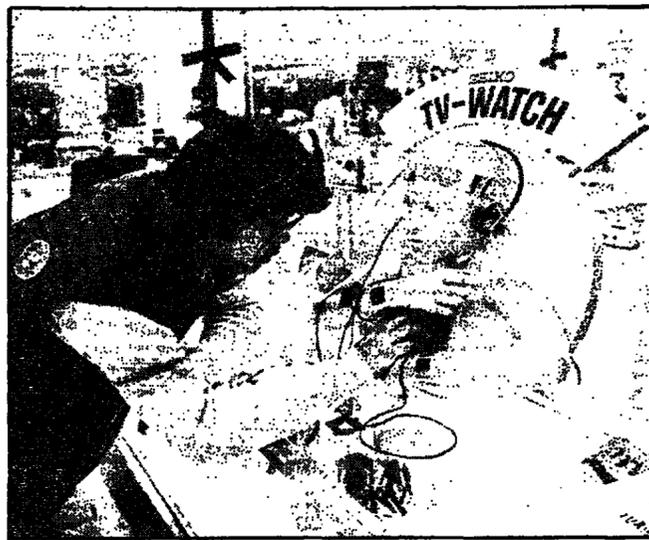
A more controversial concern is whether or not the U.S. made a major strategic error in its

move to the use of advanced, but much more costly, "water-stepper" technology for the 8K chip, while the Japanese stayed with an incrementally improved conventional photolithography process, thus achieving huge and crucial cost savings. Whatever the means, the Japanese lead in semiconductors has badly shaken its overseas rivals, and reduced their complacency.

Foreign pressure is also evident concerning Japanese plans to alter elements of its software protection legislation and concerning the opening up of NTT procurements to foreign bidding. In respect to the latter, the U.S. maintains that as many as 200 to 300 research projects exist within NTT in which joint activities with Japanese companies are underway at the pre-developmental level. The U.S. is pushing for a clarification of the current relationship between NTT and its Japanese partners, and for U.S. company access to NTT's basic research projects, which will better equip them to bid for ensuing equipment tenders.

Japan's conviction is growing that its technological strength must be backed up by a higher ratio of domestically-developed technology, and in response a continuing re-shaping of established institutions, most notably perhaps the education system, is certain to assume a high priority.

Roy Garner



TV watches on sale in a department store. Electronic gadgets are changing everyday life as industry marches into increasingly sophisticated areas of technology

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A LONGSTANDING COMMITMENT TO GLOBAL PRODUCTION

Toshiaki Tsuchiya, Managing Director, Nissan Motor Manufacturing (UK) Limited

By Geoffrey Murray

The foremost characteristic of our company, which sets us head and shoulders above other Japanese automakers, has been our commitment to internationalisation. Since the mid-1950's, when we planned our first overseas manufacturing plant in Mexico, we have made it our policy to produce our vehicles abroad. It is against this philosophical background that Nissan's recent decision to build a manufacturing plant on the site of the former Sunderland airport has to be viewed.

Currently the world's third-ranked manufacturer, Nissan's long-term goal is to account for at least 10 percent of worldwide car sales. It already has 24 overseas assembly and manufacturing companies in 20 countries. Celebrating its 50th anniversary last year, Nissan set the assembly lines moving at a pickup truck plant in Smyrna, Tennessee, which has ample space for expansion; it began commercial vehicle production in Spain through a majority share in a long-standing local manufacturer, Motor Iberica, started production as a result of an established joint car project in Italy with Alfa Romeo and opened a third plant in Mexico. In Japan, meanwhile, it began production of the Volkswagen Santana.

"Policy Of Extensive International Cooperation"

According to company President Takashi Ishihara: "These events are significant since they embody two of Nissan's principal policies in overseas operations—investment in manufacturing facilities and cooperation with other leading car makers. The international automobile industry is in a phase of restructuring and, inevitably, everyone will have to take on more responsibility in an international sense. I foresee considerable activity between Japanese and European manufacturers, for example, in both joint ventures and technical exchange agreements. Our manufacturing operations in the region will play a key role in this."

Cooperation with other car manufacturers is an old tradition in Nissan. Its move overseas has not been motivated by trade protectionism, and the attempts by a number of countries to restrict the

inflow of Japanese vehicles. It would have gone ahead just the same, with or without external pressure. Internationalisation started as early as 1952 when Nissan signed an agreement with the Austin Motor Company to build its cars in Japan under license. Reviewing the period since the first overseas manufacturing plant was established in Mexico in 1966, Mr. Ishihara says: "The main motivation is a strong sense of international corporate responsibility. By investing in manufacturing plants as well as through our marketing activities, we believe we can contribute to the economies of the host countries, creating employment opportunities and assisting in the growth of automotive-related industries."



"Importance Of Local Input"

Looking ahead to the start of the U.K. project, Mr. Tsuchiya Tsuchiya, Managing Director of Nissan Motor Manufacturing (UK) Limited, sees it developing pretty much along the same lines as the other Nissan overseas operations of the past two decades. The company has a strong belief that its foreign manufacturing facilities should reflect a mixture of the best features of both Japanese and local management and working concepts.

As far as Japanese input is concerned, for example, Nissan is keen to see the idea of "participative management" develop to a level similar to that operating in its Japanese plants. By giving workers a sense of participating in the running of the plant and by creating a sense of personal responsibility in producing a good product, Nissan has been able to achieve major gains in both output and quality control. A major reason for Nissan's move into Britain with

"Safer, More Technically Advanced Cars"

production facilities, as in the other 20 countries where it is already manufacturing cars and trucks, is to gain greater local market input. Mr. Tsuchiya explains: "Nissan long ago realised the limitations of exporting finished products to major overseas markets from its Japanese plants. That is why we have been so enthusiastic about shifting the production emphasis to a multinational base. Our highly automated assembly lines in Japan do allow us a certain flexibility in turning out cars that meet local needs, but by manufacturing in important overseas markets, we can do a lot more fine tuning, if you like. When we start production in Britain we will certainly be looking for an input of ideas from both our local managers and every individual worker to produce a truly 'British' or 'European' car, whatever the specific need might be."

As part of Nissan's strong

commitment to research and development, it spent £160 million in 1982 to develop the integrated Technical Centre in Japan. Currently, there are some 8,000 R and D specialists among Nissan's Japanese work force of 60,000, while more than four percent of the company's total net sales (in fiscal 1982, for example, this represented spending in the region of £430 million) is budgeted for research activities in line with this commitment. The U.K. manufacturing facilities, as with all overseas operations, will eventually play a role in the company's push for safer, more efficient and technologically advanced cars in the decades ahead.

Out of this programme already has emerged Nissan's vision of the future in the shape of its research vehicle NR-V II, with a turbocharged, methanol-fueled engine and state-of-the-art electronics to enhance safety and save energy. The electronics systems and safety devices include a radar auto-steady system for maintaining a steady cruising speed and avoiding collisions, a voice dialogue system which recognises driver commands and issues verbal warnings, and a computerised drive information system for automatic route planning and guidance.

The experimental vehicle also contains electronic warning systems such as a drowsiness monitor, which detects when the driver is nodding off and provides a sharp verbal jolt, and a tyre pressure warning device. Considerable attention has also been paid to structural design to reduce collision damage.

Another product of Nissan's automotive technology is a special car for the handicapped, one of the most advanced worldwide, which enables thalidomide victims and others who

do not have the use of their upper limbs to drive by using an ingenious system of controls operated mainly by the feet.

The same stress on advanced technology goes into Nissan's production facilities, which now feature one of the world's highest levels of robotisation and automation. The company sees this less as a way of making more money than as a method of creating a happier atmosphere on the assembly line. Morale and motivation have improved because workers can now concentrate on more creatively satisfying tasks in the production process. Through learning new technical skills under company retraining programmes, workers have found challenging new positions within the company.

Within the next three years, some 400 to 500 British workers will have the chance to experience, first hand, the international management philosophy of Nissan, as it hires a work force for the first phase (Phase I) of the U.K. project (producing 24,000 cars a year); the second phase (Phase II) calling for production of at least 100,000 units and a work force of 2,700, will follow some time in the 1990's if all goes well. These workers, Mr. Tsuchiya stresses, will find a company that wants to give them as much responsibility as possible for the creation of high quality products.

Facts about Nissan

In December 1933, two existing Japanese companies formed the Daihatsu Seizo Company to produce Daihatsu cars. Exports began in 1934 and in the same year the company name was changed to Nissan Motor Co., Ltd. By 1940, Nissan was shipping its first knockdown sets overseas. Production in its first overseas manufacturing subsidiary in Mexico started in 1968, followed by car assembly start up in Australia in 1968. Nissan's automobile production has expanded rapidly in the past decade reaching over 2.5 million vehicles in fiscal 1984 which represents the third largest production volume of any automobile company in the world. There has also been significant business diversification over the years. Today, Nissan is involved in the manufacture of forklifts and industrial engines, textile machinery, marine engines and various watercraft, as well as solid-propellant rockets for the Japanese space programme.

*Quote from President Ishihara

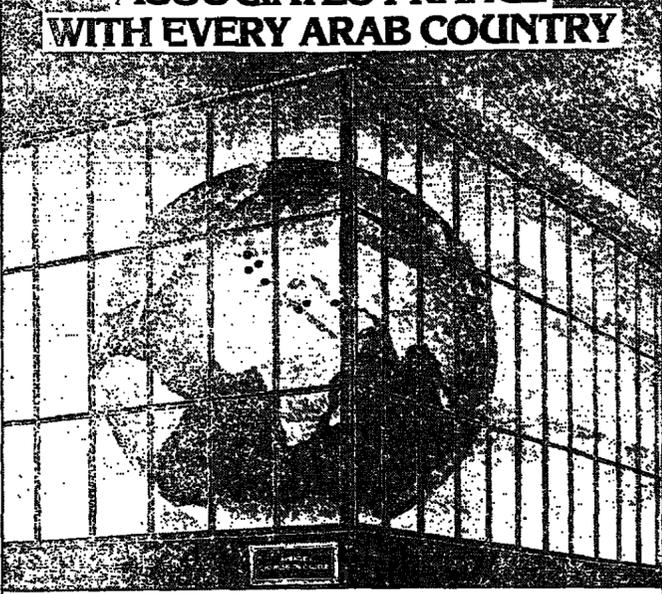


Glyn Gonn

Single-lens reflex cameras being assembled. Market factors continue to dictate the research priorities in high-technology industries.

JAPAN 12

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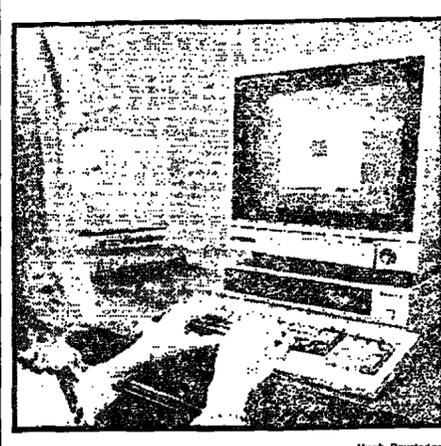
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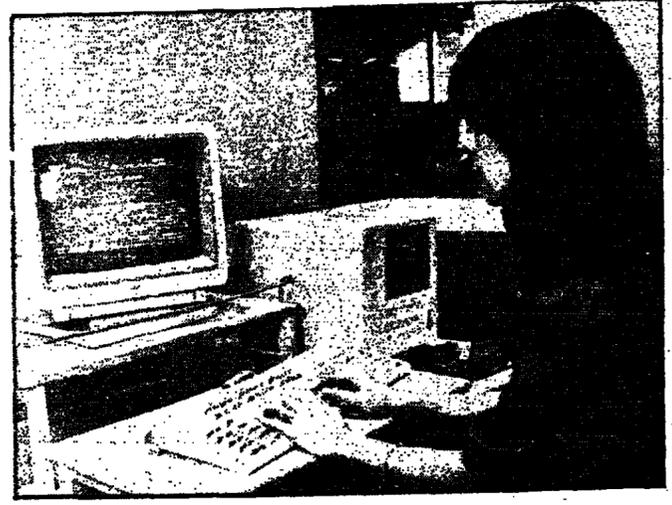
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Sanyo microcomputer (above) and, right, IBM word processor. Japan's computer research departments continue to seek supremacy in new areas in order to supply world markets



Facing up to the ultimate test

Computers
ROY GARNER

TECHNOLOGICAL prowess has come to mean more to the Japanese in recent years than simply a means to the achievement of economic well-being. It has now assumed an important place in the make-up of Japan's national identity.

Japan itself has played a large part in creating and encouraging the role which it has been assigned internationally as a high-tech juggernaut. The price to be paid for this glorious image is that it must be lived up to and there has developed an increasing vulnerability to outside criticism of its abilities in areas of fundamental technology. Any major failing in a key technological area has the potential to induce a response of national humiliation.

Stages of such discomfort were discernible at the time of U.S. IBM's recent lawsuit against Japanese computer makers over the alleged theft of proprietary information related to its mainframe machine software. This resulted in Hitachi being obliged to pay millions of dollars per month for the use of U.S. software vital to the operation of its IBM-compatible machines.

This challenge for Japan to live up to its high expectations has never been plainer than in the case of the so-called fifth-generation computer project, in which Japan chose to take an early lead by organising the first international conference on the subject in 1981. It also instituted a research venture, the Institute for New Generation Computer Technology (ICOT) specifically dedicated to the development of these new computers.

The fifth generation development work has come to be seen as the ultimate test case of Japan's ability to succeed in creative high technology research. The term "fifth generation computer" denotes not just another, more advanced piece of hardware, but a body of new basic computer technologies founded on revised basic design philosophies, which can handle the more sophisticated computing requirements of the 1990s and beyond. These requirements are conveniently categorised by function in the outline of the research themes for the project.

First, there is a "problem solving and inference function," which entails logical reasoning using data and knowledge stored within the system, in

addition to information accessed from outside. Second comes a "knowledge base function" in which a facility exists for the systematic storage and retrieval both of conventional data and of reasonable judgments and test results organised as units of knowledge.

Third, comes "intelligent interface function," which denotes the capacity for humans to interact much more easily with the machines, a quality popularly referred to as "user-friendliness." Such a computer would be able to process speech, graphics and images, though the provision of a linguistic ability is the key aim.

Fourth, there is an "intelligent programming function" whereby the machine would be able automatically to convert programs into efficient computer programs, thus relieving humans of a burgeoning and time-consuming chore.

Conventional computer systems cannot handle such functions as inference and problem solving, and the fifth generation computer research, initially is going about trying to achieve these aims by evaluating and re-structuring the considerable body of research findings in the field of knowledge information processing which is currently available; and by planning how such concepts can be put to use, and in what way they need to be refined, in order to construct a practical system.

Some critics argue that the strong emphasis on predicate logic in the Japanese program is too narrow and simplistic, but the "fifth generation" directors believe it will, on the contrary, increase freedom in both hardware and software design.

Kazukiyo Kawanobe, the Assistant Director of ICOT, commented: "We'd like the fifth generation project to show Japan in a good light to prove Japan's creative excellence, and concerning the decision to adopt a framework of logic programming, he said that "we are very confident at this point that the approach is right."

This year marks the end of the first of three three-year project phases. Mr Kawanobe suggested this first phase has made the greatest demands in terms of creativity as new ideas are needed, for example, to realise parallel processing of "predicate logic" where prior research has centred chiefly on numeric calculation.

ICOT researchers have been divided into small units working independently on individual technologies, and Mr Kawanobe says: "We don't worry about the relationship between these groups at this stage." In the intermediate stage these results will be integrated to provide the framework for inference and knowledge base sub-systems.

But still the traditional Japanese sense of "improvement" orientated creativity is clear. Kawanobe commented that "creativity to us means a jump... rarely in technology does an idea spring out from nowhere—it usually comes as an improvement or diversion and often it's a very tiny idea but no one else has thought of it... and it drastically changes the way to reach the goal."

Some moves have been made away from traditionally rigid research structures. Seniority is stressed less, researchers are encouraged to "have their own consciousness of the problems they have to solve," and a broad visiting program exists "to have researchers meet as many other experts as possible both in Japan and abroad."

This freedom of activity is such that some research directors in the companies and national research laboratories from which researchers have been loaned to ICOT express worries about their ability to return successfully to their original, less liberal, environment.

One of the biggest problems facing the ICOT project is the difficulty of finding sufficient bright new researchers.

The current number of 42 researchers must grow to

handle work at the intermediate stage, but ICOT success not recruit people from universities, the most promising source, because of barriers between the different ministries involved.

Private companies are proving increasingly reluctant to lose their best brains, even temporarily, despite the fact that they stand to gain much by the success of the ICOT work.

Fiscal restraints

Funding is also a major problem because of the tight fiscal restraints imposed on all ministerial budgets and the \$5.12bn allocation for 1984 resulted in a 17 per cent shortfall from the original first phase budget target. This sum is said to be sufficient to fulfil the project's basic objectives, but the funding cut was large enough to force a simplification of the functions to be handled by the pilot model of the "personal sequential inference machine (PSI)," which was delivered by Mitsubishi Electric last December.

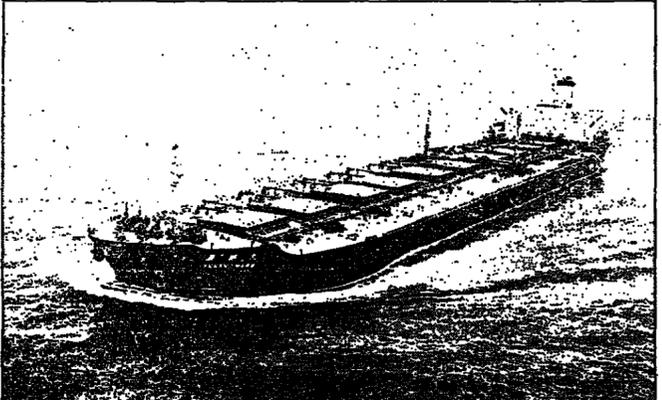
The PSI was supplemented by another key hardware element, the relational data base machine (RDBM), in May this year. This was manufactured jointly by Toshiba, Hitachi and Oki Electric. The

successful introduction of these two hardware elements provides some of the clearest evidence yet of success in the ICOT project, and a spokesman said the RDBM "will allow for a dramatically improved speed of data retrieval within research work."

ICOT researchers have completed the basic specifications for the RDBM software, and have also started work on building an operating system for the PSI using extended prolog (ESP) language, the first complete version of which is expected to be completed by the end of September.

Good progress is also reported in work on the basic specifications of the "KLI," a language which handles parallel information features. Such software is needed for the "parallel inference machine," which is one of the major goals of the next project phase beginning in early 1985.

Mr Kawanobe observes that Japan has grown rapidly in several areas of technology, while having little experience of actually looking for new ones, but says "now we have to find our own way—and problems in semiconductor and computers require much creativity. Japan must find new areas for supremacy, and perhaps the fifth generation computer is to be one of them!"



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More natural

At the core of the Japanese project has been a decision concerning the methodology to be adopted in planning this future system. This involves a move away from the specialised Turing theory of computing, first published in 1936, which has underpinned a great deal of conventional computer design, and towards a heavy reliance on a more "natural" system of logic which lies closer to the historical mainstream of logical analysis, known as "predicate logic."

The argument for this decision centres on recent trends in computer studies. In the field of programming much progress has been made in developing programming languages based on concepts aligned to predicate logic. Work on "expert systems," or "knowledge-engineering" systems, has also taken the form of representing knowledge as a set of rules which are subsequently processed; a procedure which, the Japanese maintain, is allied to predicate logic.

A similar argument applies to studies of natural language processing, and to the fundamental principles which lie behind developments in relational database systems.

One of the biggest problems facing the ICOT project is the difficulty of finding sufficient bright new researchers.

The current number of 42 researchers must grow to

handle work at the intermediate stage, but ICOT success not recruit people from universities, the most promising source, because of barriers between the different ministries involved.

Private companies are proving increasingly reluctant to lose their best brains, even temporarily, despite the fact that they stand to gain much by the success of the ICOT work.

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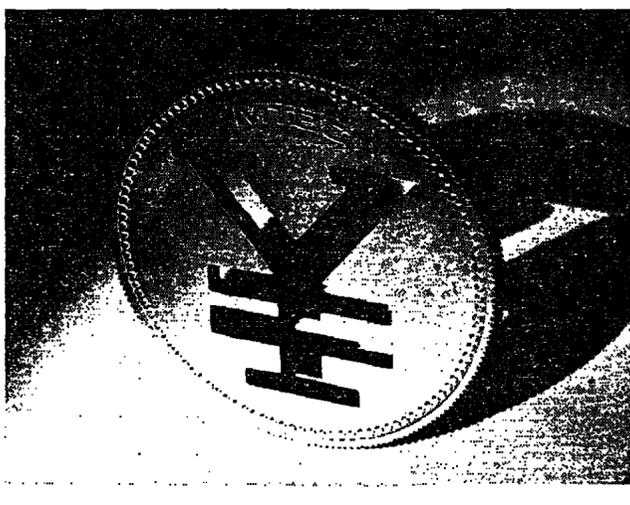
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Technology

JAPAN 13

PROFILE: TOSHIBA'S R & D PROGRAMME

\$100m centre emphasises strong research aims

WHEN Dr Kiyoshi Nagai, director of Toshiba Corporation's research and development centre, in Kawasaki City, was asked whether his researchers are able to gain access to sufficient funds to cover their ambitious future research tasks, he pointed out in response that about two years ago he had asked the management to construct a specialised \$100m research centre which could concentrate exclusively on VLSI (very large scale integration) technology. Just such a research centre opened in January this year.

Toshiba is typical of many major Japanese companies, especially those in the electronics field, in its claims to be placing a new emphasis on the encouragement of a strong R & D base, both by the injection of greater levels of funding and by a revised corporate structure.

The company's renewed commitment to research is reflected in some of the technological accomplishments it has recently announced. In the VLSI field these include a new device-isolation technology and a high-speed reactive ion etching system.

Yet although the company maintains that it is following a wider trend in Japan, of a switch to a more "basic" research-orientated R & D programme and despite the fact that it is one of the most technologically advanced members of the semiconductor manufacturer league, Toshiba's R & D activities still principally reflect the classic Japanese concern with an "application" orientation to its research work.

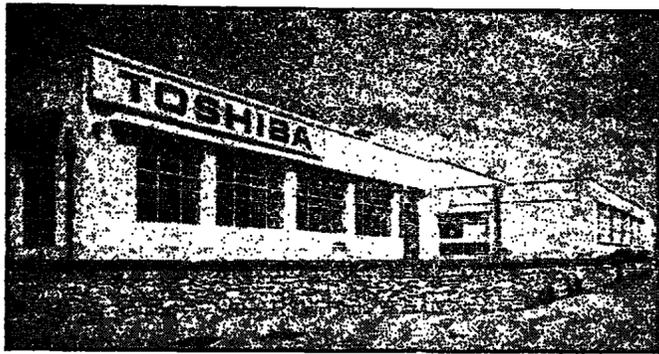
Influence

And although definite moves have been made to create a freer research environment at the R & D centre, such as with the splitting away of special products laboratories from the central building, the reduction in the influence of application considerations is still very recent.

Almost half of the centre's funding continues to come from the company's operating divisions, albeit that research carried out for these divisions is principally long-term in nature. The major appliance products and "audio/video products" engineering laboratories were integrated in the Kawasaki building until as recently as 1982.

It could also be argued that the recent major commitments in the semiconductor field primarily reflect a strong concern with market trends and associated product demand, at this time of unprecedented business growth in the semiconductor arena.

In fiscal 1983, 6.1 per cent of Toshiba's ¥2,026bn (\$8.5bn) unconsolidated total sales were spent on research, a slight decline from the 6.25 per cent ratio the year before, while



Toshiba's UK factory at Plymouth, England, whose worldwide exports bring back some of the return on the company's research expenditure

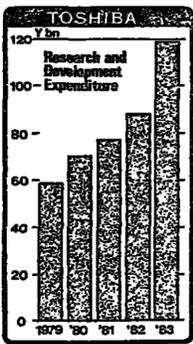
the Kawasaki R & D centre itself received approximately one per cent of the sales total. Sources of funding break down into 47.5 per cent from the headquarters, 47.5 per cent from the operating divisions, and 5 per cent from external contracts—notably from the Ministry of International Trade and Industry (MITI).

Research projects are instigated in Toshiba either by a request from one of the seven operating divisions or by a proposal from an individual researcher in the central laboratories. These initial requests are handled by an ad-hoc planning task force, and later weighed against the established mid- and long-range R & D strategic plans before an actual operation plan is worked out. These proposals are subject to revision by a policy review board.

Mr Nagai says that a total of 10 major proposals are made by his scientists each year, along with 20 to 30 smaller proposals, and at any one time a total of between 100 and 150 projects are in progress. To handle these tasks, 1,500 researchers work at the Kawasaki centre while specialist staff in all of Toshiba's 10 laboratories total 3,000.

Mr Nagai is the first to admit that there are obstacles which stand in the way of the company's efforts to increase the creative element in its research. He particularly regrets the fact that owing to the nature of the Japanese education system new company recruits are "very skilled in how to solve a problem, but don't know how to find the problem in the first place".

He says that, consequently, work is organised in such a way that young researchers are trained to develop this exploratory skill which, he claims, takes about three to five years to nurture.



This lengthy training process does not give competitors in Western research labs an automatic head-start advantage. Mr Nagai maintains, since "senior researchers make up the gap". He also emphasises the importance of the high quality of the recruits which Toshiba can attract from among the small super-elite of graduates of the prestige universities, drawn by a high-tech corporate image and promises of unique research opportunities.

A key element in the training process is the formation of "young researcher groups", which consist of four or five members from different sections, overseen by a senior planning group member. Six or seven such groups are formed each year, meeting once a week in their free time, for a period of three to four hours. According to Mr Nagai, these groups frequently end up meeting at least twice a week, and have proved a good source of new ideas.

The other main encouragement comes in the shape of "under the table" research, a company policy that allows 10 researchers to devote up to 10 per cent of their working hours to any research activities of their own choice. No statistics are available however on what percentage of this "free" time is actually used as such by the staff.

Working under Mr Nagai (who specialises in electronic devices) are three deputy directors responsible for "materials", "heavy duty apparatus" and "computer peripherals" projects respectively, and another specialist manages the VLSI centre's work.

The basic planning group has 10 members, while 20 people handle research administration. Apart from practical considerations, the administrators attempt to take into account such factors as the tendency for researchers to reach two "peaks" in their working lives, one between age 30 to 35 and another between 50-55, reflecting firstly the achievement of initial expertise, and secondly maturation after a change of direction.

Energy

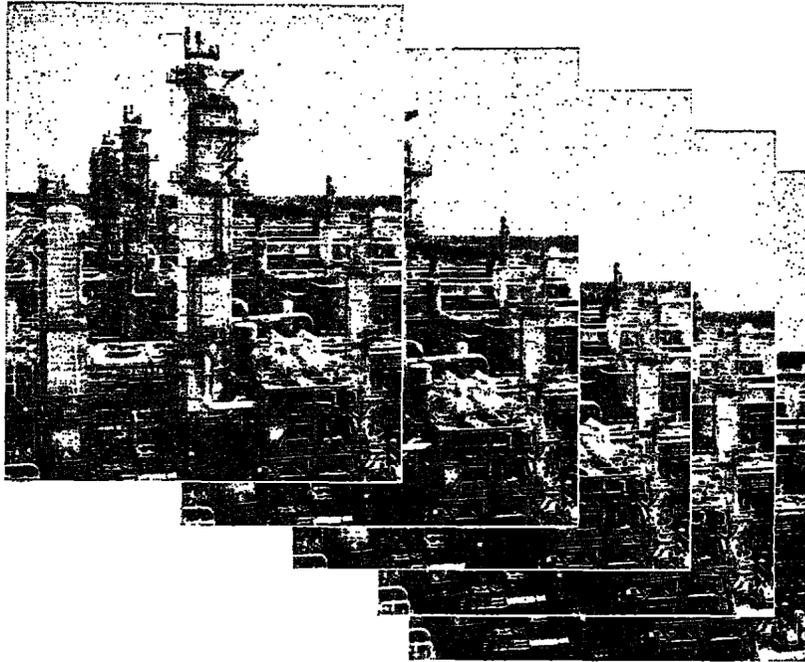
Toshiba currently has 10 specific areas of R & D, the top three among which are VLSI and microelectronics, communications and information technology and office automation respectively. Other areas include energy conversion and research on new fundamental materials and mechatronics. In the future, biotechnology is among technologies expected to grow in importance.

Mr Nagai maintains that the popular image of Japan as deficient in creative ability is mistaken in the first place, and argues that Japan can point to many recent accomplishments, notably in the area of optoelectronics, to demonstrate to the contrary. He also cites antenna technology as being a good example of Japanese innovation. But it is in the field of semi-conductors that Toshiba has made the clearest advances, and reveals the most ambitious research objectives. The new VLSI centre has "the highest grade super-clean rooms in the world," and he says that future work will include experiments in X-ray beam and electron lithography, going beyond the work with light lithography already in progress, and experiments in molecular electronics are also under way.

The company is now working on VLS with integration in the 4 to 16 megabit range, and Nagai says that "by the end of the century we expect to achieve a 100 megabit device." Already scientists are developing 0.25 micron technology which is expected to be sufficient for devices in the 64 megabit range. Beyond this level of integration, Toshiba expects it will need to move away from the use of the currently pivotal CMOS (complementary metal oxide semiconductor) technology, and the problem of finding future alternatives to this is now being addressed, together with efforts to develop substitute materials, such as gallium arsenide, to replace today's silicon substrates.

Further evidence of Toshiba's concern with high-tech prowess comes in the shape of its new 40-storey, 815m, Tokyo headquarters building. The structure is a showcase of state-of-the-art office automation technology, and accommodates all 7,000 of the company's employees, who work in a closely linked by about 1,000 terminals connected to a central computer. Computer functions do everything from monitoring production levels and sales to closing the curtains. Toshiba, like many big electronics makers, has made many of the investments needed for continued progress in high technology development. Perhaps in five years or more it will be possible to judge if this has been sufficient to break the "creativity barrier."

Roy Garner



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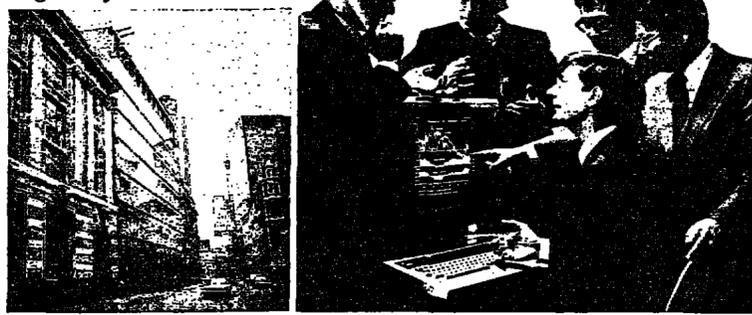
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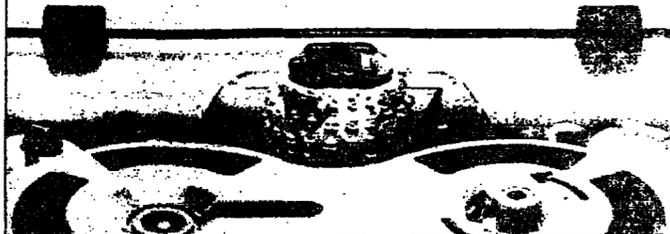
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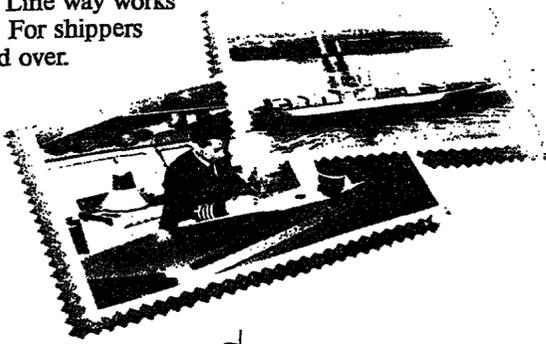


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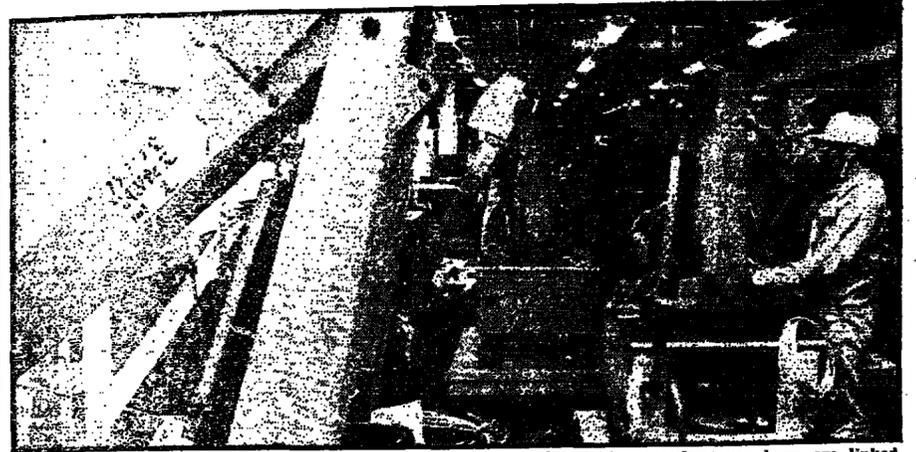
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JAPAN 14

Technology



Building industrial robots. Foreign criticisms of Japan's sluggish patent processing procedures are linked to an awareness that high technology is playing an ever more important part in business

Japan's complex and sluggish processing procedures are a cause of friction with the U.S. and Europe

Concern at proposals on software law rights

Patent Laws

ROY GARNER

AS COMPETITION between Japan and other advanced industrial nations for excellence in high technology grows ever more dynamic, the likelihood is strong that the matter of the protection, and definition, of individual technologies will become an increasingly controversial issue.

Already there have been repeated stirrings of disquiet over Japan's recent proposals concerning software rights legislation, which some foreign commentators have charged would, in effect, allow Japan unfairly to acquire software property through adjustments to the legal protection period.

There have also been charges that some companies are bypassing deficiencies in their own technological base by applying for patent rights on inventions claimed elsewhere simply by means of cleverly re-defining the concepts involved, a process which is aided by an increasingly sophisticated and rapid monitoring of foreign and domestic published research papers, and by other forms of technology "intelligence" sources. Critics have the potential to do wonders in closing any "technology gap."

Adamant

Further strife seems almost inevitable in the light of the urgent need for standardising and streamlining patent application procedures as practised by different nations, and the actual situation where particular countries, notably within Europe, are adamantly clinging to their customary local forms of operation.

In Japan, a big stumbling block to improvement lies in the inadequate levels of staffing at copyright processing offices, and this situation appears likely only to worsen as the number of applications grows, while tight government finances preclude the hiring of more personnel. A vital element in attempts to improve a deteriorating situation is the planned computerisation of the voluminous and growing body of data which concerns the applications for, and awarding of, industrial patents.

Even if this programme were to proceed on schedule, however, a comprehensive computerised system is at least 10 years off and, according to sources, current planning is set to give rise to a situation whereby interface of this computerised information will be possible between Japan and the U.S. and Europe, but not directly between Japan and Europe.

This situation is emerging because, the Japanese claim, it is too difficult for them to handle data directly from Europe, owing to the fact that much of the patent data will not be presented exclusively in English, but will include data in other languages, notably German and French.

As a result it is likely that Europeans will have to depend on U.S.-routed data processing for the acquisition of information about Japanese patent processing activities.

While long-term issues such as this are just emerging, arguments over the allegedly discriminatory or "protective" nature of Japan's patent laws and procedures are already in full swing. At the heart of these difficulties is the current saturation of patent processing facilities. Applications for patent protection rights in Japan are subdivided into four categories: "utility model" (low-grade technology), "patents" (covering more sophisticated equipment), "design" and "trademark."

distinction between "utility models" and "patents" allows for a stricter patent applications process where, on the contrary, the unified handling procedure in the U.S. produces a lower common denominator in patent evaluation.

The U.S. claims the Japanese distinction between the two achieves nothing but unnecessary duplication and a slowing down of processing. However, only 45 per cent of domestic and 55 of foreign, national patent applications are successful in Japan, a lower figure than in the U.S.

In 1983 Japan received 480,000 patent and utility model applications, and this figure rises to 668,000 when designs and trademarks are included. For this task just 1,800 examiners were available. These examiners are the same for all categories of application and there are no plans to increase this current level of personnel. In the U.S., where the total number of applications is considerably lower, there are now 3,000 examiners plus another 200 specialists exclusively handling trademarks and this staff total is to be boosted by at least 800 in the near future.

Official estimates of the average time it takes to acquire a patent in different countries are difficult to compare because the procedures vary so greatly. The Japanese claim this period is currently about two years and seven months, against just under two years for the U.S. Japan plans to achieve a two-year average in the foreseeable future, while the U.S. is anticipating a one year eight months period. Foreign businesses regularly insist that the process in Japan often takes as long as six years.

Foreign criticisms of Japan's sluggish patent processing procedures are linked to an awareness that high technology is playing an ever larger role in business and that in consequence the speed at which patents can be acquired is becoming ever more crucial to success. A slower system in Japan, it is often charged, produces an unfair advantage by allowing local businesses more time to catch up in new areas of foreign leadership.

An expansion world-wide of both legitimate intelligence gathering operation and of industrial espionage exacerbates these fears, and is further reason why speedier and more efficient patenting procedures are being demanded of all nations.

Ruling

The U.S. has been the most vocal in its complaints over the situation in Japan, and has pressed the Japanese government on a number of issues. For example, the U.S. has ruled that where a person has declared a priority claim under the Paris Convention for the Protection of Intellectual Property, he must submit comprehensive details of this within three months of a corresponding Japanese patent application. This three-month period, for which no extension is permitted, sometimes proves too short for a foreign company to obtain the necessary documents from overseas patent offices, and the resulting loss of priority claim rights can be disastrous.

Also, in the case of a challenge to a granted patent, which uses as evidence a description of the invention in a foreign publication which pre-dates the awarding of the patent, Japanese patent law stipulates that such an invalidation trial cannot be pursued more than five years after the time of the registration of the Japanese patent. Critics argue that where such incontrovertible proof is available there should be no time limit set on challenges, especially where public notice of the registration might not be obtainable abroad for a considerable part of the five-year

period, owing partly to the fact that such notices are only published in Japanese.

Another complaint concerns the Japanese Patent Office's practice of discouraging the filing of a single application to cover related inventions which, it is claimed, is a factor behind the huge processing backlog. Such delays also reduce the chances for a really important "breakthrough invention" to revive and stimulate an area of business.

Response

The Japanese, however, refute the notion that language or procedures discriminate in any way against foreign applications, and argue in response that the U.S. is more discriminatory with some of its own patent law provisions, such as that which stipulates that the date of an invention cannot be certified by citing evidence in a foreign country.

The Japanese also claim to be making major efforts to provide more English language translations of their procedural documents. Concerning the computerisation of processing, the Japanese also point out that the Ministry of International Trade and Industry (MITI) has recently ruled that from August this year the Patent Office can raise its application fees to provide the necessary funds for the computer programme.

Undoubtedly the hottest issue in the field at present is the controversy over the protection of software, a debate which involves complex problems of property definitions, and which is throwing many of the trickiest aspects of the international patent agreements into sharp relief.

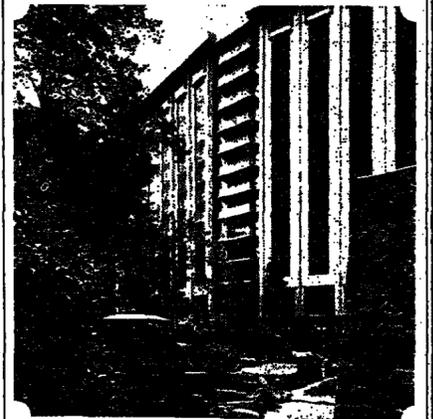
The U.S. position is that

MITI's intention to treat software as "industrial property" would violate the spirit and the letter of international copyright law embodied in the universal copyright and Berns conventions. The industrial property concept is described as contrary to an international consensus that software is a "literary or scientific work of authorship," and unacceptable in that it would not require observance of copyright norms. The MITI proposal for compulsory software licensing would, according to the U.S. Commerce Department, "in practice substantially disadvantage both U.S. and Japanese software authors and consequently hinder, rather than promote, the continued development of the Japanese software industry."

Reflecting how seriously the U.S. takes the matter, it stresses that if software is excluded from "copyright" protection in Japan it would have to consider seriously invoking reciprocity rules, allowed under the universal copyright convention, which would deny copyright protection to Japanese software within the United States. The U.S. says Japan could also be excluded from the process of establishing an international law to protect software.

Despite some statements to the contrary, MITI has not yet fully altered its position, promising essentially to act in restraint in the use of a proposed arbitration system (which carries the power to order the compulsory release of software where it is deemed fit) and of its proposed 15-year protection period, which is far shorter than the one year normally given under existing legislation in Japan, and overseas.

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JAPAN 15

Little headway made towards restructure

Education—Reforms
BARBARA CASASSUS

JAPAN'S education system can be viewed either as the springboard of its spectacular economic and industrial success, or an Achilles heel—or a combination of the two.

This is one conundrum now facing Prime Minister Yasuhiro Nakasone, who made educational reform a central theme in his campaign for the Parliamentary election last December and again in his battle to win a second term as ruling Liberal Democratic Party (LDP) President in November. The issues prompting calls for reform have virtually become clichés. School violence, pupil and student suicide, rigorous selection and eclipse of the individual under the weight of rote memorisation and conformity with standards that mercilessly dictate achievement or failure as a member of society, all have become recognised hallmarks of the system.

But their significance goes beyond the frontiers of the academic and scholastic world, highlighting Japan's difficulty in reconciling its role as a "Western" economic power, (as is often its own self-description) with anxiety over the demise of traditional values.

Former education minister, Nishio Setoyama, who lost his post in Mr Nakasone's cabinet formed after the December election, unleashed a storm of criticism last year when he blamed present problems in education on the system imposed on Japan by the post-war U.S. Occupation forces. Although conservatives have always felt the American style was unsuitable, this hypothesis, presented in such an uncharacteristically direct manner, appeared absurd more than 30 years after the event.

Criticism

Now the controversy has subsided, however, some liberal educators admit they endorse Mr Setoyama's argument. But, far from attacking the fundamental premises of equal opportunity for all and school, teacher and pupil autonomy, based on the spirit of peace and

democracy, their criticism seems to derive mainly from a sense of discomfort, as with an ill-fitting garment and from regret that the original aims have been lost.

Growing pressure on the young to enter the "best" institution, in order to secure the "best" jobs in the administration and top industrial concerns, is frequently blamed on the boom years of the 1960s and the private sector's desire to feed its success with more of the same. This appetite has undoubtedly been satisfied: a highly disciplined, highly literate and numerate workforce has been a major factor in bringing Japan to the forefront of high technology today.

Equally certain is that personal development has suffered, at least in Western terms. But if the importance of individual growth per se to the Japanese is debatable so is the possibility of accommodating it within the context of the traditions that appear firmly rooted in their society.

Ailments

While holding the Occupation responsible for a number of the ailments in the education system, some experts concede that the excesses of uniformity stem also from Japan's group-oriented culture, now epitomised by its vast middle class, which was not a target, but to which an overwhelming majority of the people believes it belongs.

Nonetheless, fostering individual growth through offering greater diversity in the curriculum, to take account of variations in ability and aptitude, is a recurring topic each time Mr Nakasone and others publicly advocate reform. This has become a highly charged political saga which is only now really starting to unfold. How it will proceed depends on whether Mr Nakasone wins re-election as LDP President, but if he does, the stage will be set for many old and new animosities to receive a thorough airing.

Some cynics believe talk of educational change is merely a vote-catching ploy in response to mounting public concern over scholastic and university shortcomings. Others believe Mr Nakasone's determination is absolute, but fear his initiative is an attempt to tighten the government's grip on the already highly centralised system.

They note that Mr Nakasone was President of Takushoku University, which is well-known for its right-wing leanings, and recall hard-hitting speeches on the aims of education he made so long ago that most people have forgotten them.

Fuelling their worries is the proposed ad hoc commission on reform, for which enabling legislation should be debated in the Diet (Parliament) within the next few weeks. Critics condemn the fact that the commission would report to the Prime Minister's office and that it would comprise an unwieldy 25 members, who, they say, would probably be chosen more out of political than any other consideration.

Furthermore, they point out that the Central Education Council, an advisory body to the education minister, is quite capable of formulating proposals for any modifications required and has done so in the past, even though not all its recommendations have been adopted.

A compromise now appears to be approaching whereby the choice of commission members and their deliberations would be subject to approval by the Diet, instead of by the Prime Minister alone. But since the LDP coalition holds a Parliamentary majority and the reform plan has the support of two moderate opposition parties, the question of accountability seems to have little relevance, except for form.

Another problem is cash. Radical restructuring of the system would be costly and could presuppose the government first brings its massive budget deficit under control. Education and science received a nominal increase of only 1 per cent in expenditure allocations for the 1984 fiscal year (April 1, 1984—March 31, 1985), less than the rate of inflation, and is unlikely to do much better next year. However, no major decisions would be taken in the immediate future. The new commission would have three years to produce its proposals, which no doubt would be followed by extensive debate over the measures to be implemented.

The report of a seven-man private advisory committee to the Prime Minister, issued earlier this year, is expected to form the starting point for the commission's work. Headed by Sony Corporation honorary



This section looks at some of the everyday influences in Japanese life and at how the young are affected by this highly-competitive society

chairman, Masaru Inuka, the committee recommended leaving intact the basic 6-3-3-4 academic structure (six years of primary school, three years each of lower and upper secondary and four years of university). The report, criticised by some for its lack of substance, suggested greater flexibility within the system, more diversity in the curriculum and less reliance on examinations for selection.

Stumbling block

Proposed legislation for the commission was a major stumbling block in the LDP's bid to gain an extension of the present Diet session. From the beginning, the socialist and communist parties, as well as the militant left-wing Japan Teachers Union (Nikkyoso), opposed the concept of the new panel, although they are in favour of change. According to some sources, the Nikkyoso will be invited to sit on the commission, but it is divided over the response it would give. At an extraordinary conference in April, a resolution stating it would refuse to participate if asked was rejected, which has undermined the union's staunch anti-establishment stance and has thrown it into some confusion.

Few observers or educators are prepared even to speculate about the outcome of the reform effort. Meanwhile, many of the problems are being left unattended and are increasing rather than going away of their own accord.

Examination ritual under fire

Education—Swot shops
BARBARA CASASSUS

SOME OF the issues and problems in education have wide implications for society at large as well as the education system itself.

Some believe that a lack of discipline at home and civil responsibility of children could produce anti-social attitudes in international relations and ultimately lead to friction of the type now generally associated with trade.

This may overstate the case, but there are undoubtedly cracks appearing in the education and value systems. These are highlighted by the fact that school violence, while not nearly on a par with that in the West, is directed at the once highly-respected teacher, in addition to fellow pupils.

In other contradictions to traditional obedience and honour to duty, truancy at an early age and dropouts from upper secondary school have emerged as prominent features of the malaise. According to a recent Education Ministry report, truancy results mainly from child neurosis, over-protective parents and the social indispensability of academic achievement.

Indeed, values, rather than facilities, seem to be the crucial factor in this society, which generally accords little place for self-respect through non-academic accomplishment in a less structured environment than the conventional educational institutions.

Surveys show that a substantial proportion of Japanese people view school facilities positively, while some sources point to extremely poor attendance at the 4,000-odd children's community centres throughout Japan for pre-school to 10 years age groups as illustrating the low priority given to extra-curricular activities.

The much-publicised "examination hell" that is the symptom of the problems may be hard to dismantle, as it seems to be an integral part of modern Japan. The blame for making childhood a period to be endured rather than enjoyed is often laid at big business and emphasis on economic needs rather than education for itself and a child's development.

The phenomenon can be ex-

plained by the fact that recruitment criteria are greatly simplified by absorbing graduates from the institutions with the most prestige, whether university or upper secondary school, that a company's standing permits.

Moreover, competition for university places which was tough before the 1939-45 war, no longer affects only a small minority of the population. For example, enrolments at the private Nihon University now amount to some 70,000, which is more than the total number of students in Japan in the pre-1945 era.

Today, about 93 per cent of pupils go on to upper secondary school level after compulsory schooling ends at the age of 15

devoted guidance of their mothers, who often judge their own success in life by their offspring's academic career, youngsters are then destined to spend most of their working hours at study until the university goal is attained, or not, 15 or more years later, if they are rejected initially.

As arguably the most decisive moment of their lives draws close, families organise their lives to ensure nothing interferes with students' performance in the exams. It is thus not surprising that failure can bring devastation to aspiring students, who have to face not only their own defeat, but the lack of return they appear to give for all the time, effort and money invested in them.

bitterly contested authorisation system.

Books are not censored in the pure sense, but without official approval, they cannot be used in schools. Nothing prevents private publishers from bringing out the rejected texts anyway, except that they are not likely to sell particularly well.

This authorisation system has long been the focus of intermittent wrangling and in 1953 it strained diplomatic relations in Asia over Japan's alleged distortion of its war and colonial records in new history books.

The issue was resolved internationally when Japan pledged to correct certain facts in future editions of the disputed texts, but nothing appears to have changed in the authorisation system itself.

On the contrary, the protest of enraged scholars that their objectivity has been destroyed by Ministry textbook inspectors perusing out the rejected way into the local Press and since the furore with neighbouring nations ended, proposals have been made to toughen the approval and selection procedure still further.

Of all the subjects in the curriculum, moral education or *shu*, typifies the political struggle which is embedded in Japan's education system. The pre-war course of study, based on Confucian values and the two main principles of filial piety and complete loyalty to the Emperor, was abolished after the war and reinstated in a different form in 1955.

Taught throughout primary and lower secondary school, it emphasises social responsibility and gives only passing mention to patriotism. But now, with the breakdown of discipline among young people, some conservatives, including Mr Nakasone, consider that love of the homeland is not given adequate treatment and are seeking to reinforce the content.

As one step in this direction, the Education Ministry announced last month that it will prepare supplementary moral education textbooks for selected regions of Japan relating the lives of local heroes, culture and history.

National pride has its place in all countries, but could scarcely be of greater sensitivity than in Japan. Therefore, it will have to be handled with some delicacy if education is to notice again to come under a harsh international spotlight.

HIGHER EDUCATION
(Numbers enrolled as percentage of population aged 20-24)

| | 1980 | 1979 |
|------------|------|------|
| Japan | 10 | 30 |
| U.S. | 32 | 55 |
| W. Germany | 6 | 26 |
| France | 10 | 25 |
| Sweden | 9 | 37 |
| UK | 9 | 20 |

Source: World Bank

and of them, more than 35 per cent continue into higher education.

The importance of the alma mater in assuring a glittering professional career was underscored by a major Japanese bank newsletter published a few months ago. This revealed that among the presidents of 1,772 leading companies listed on the Tokyo Stock Exchange, 394 had graduated from Tokyo University, the number one national institution, and 244 from Kyoto University, also a highly-esteemed state-run seat of learning.

A standardised first stage examination for all central and local government universities was introduced in 1979, in an attempt to alleviate some of the pressures surrounding entry into higher education. But rather than meeting its objective, it seems merely to have added yet one more hurdle to the arduous process.

Boarding the education escalator—once children are on the right track, they stay there — is now sometimes pursued even from the pre-school level. At that point, some make their first acquaintance with jakes, the notorious cram schools that have become a business of some substance, but less reputable.

Under the careful and

The tension is added to by another hurdle from the private sector: the *hensachi* aptitude test. This test, based on the statistical principle of variation from a median score and commonly known as the "deviation value," is used by teachers to orient their pupils toward the institutions to which they have prospects of gaining admission.

As competition has stiffened, pupils have been encouraged to sit the tests with increasing frequency, even once a month in isolated cases.

The anomaly is that although the *hensachi* has never been officially adopted as an assessment method, its use has not been banned. Instead, in contrast with the usually strict controls on education, the Ministry has limited its intervention to issuing directives for teachers to rely less on the scores. Perhaps as a result of this urging, or of public disquiet, some teachers are said recently to have heeded the message.

It is difficult to see how the existing controls could accommodate greater flexibility in the system and variety in content to make room for true personal development. School study courses are standardised throughout Japan, as are textbook selection lists, compiled according to the Education Ministry's

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JAPAN 16

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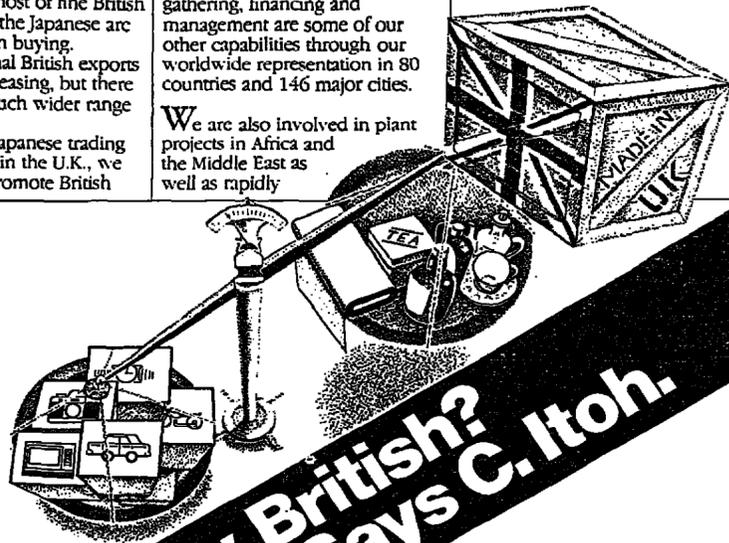
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Fashion
TERRY TRUCCO

ANYONE WHO ever looks at fashion magazines or visits department stores might conclude that the Japanese are the most adventurous dressers in the world. Japan, after all, is largely responsible for those outsize, futuristic-looking clothes in crisp penguin colours, draped here, tied there and dreamed up by such designers as Mitsuhiko Matsuda, Yoshi Yamamoto and Rei Kawakubo.

The thought of a nation 118m strong, garbed in some variant of Tokyo Style is downright daunting, as if Issey Miyake were producing the Japanese equivalent of Mao suits. The reality is quite different, of course, as anyone knows who has visited Tokyo, particularly those places where businessmen congregate. Women are turned out in prim little silk dresses with sturdy shoes and what appear to be government-issue Louis Vuitton handbags.

Men fare even worse: white shirts, red ties and navy blue box-cut business suits, standard stuff known in these parts as *dobuzumi iro*, the sewer rat look. Wire-rimmed eyeglasses are optional.

And what of those flamboyant Japanese who outfit themselves with such wit and aplomb? They are around, usually clustered together in the slicker parts of town. But these are strange, fleeting creatures and they live by a code.

Halcyon years

In Japan it is accepted—even expected—that young men and women will dress as dramatically, outrageously and expensively as they like for a few halcyon years between high school and whenever their adult responsibilities begin.

The party, which begins for most at the age of 18, ends for men when they are initiated into a corporation, for women when they marry—watershed events that rarely occur much past the age of 25. After that, even the most confirmed *top men* when they are called to "responsible" clothing, abandoning the rest with remarkably little resentment or regret.

Indeed, it is the fashion designer, faced with a vast but narrow market who seems most put out by all this—small wonder they began to export. The average Japanese knows and plays by the rules.

More than in almost any industrialised nation, clothing in Japan is a potent symbol of a person's station and occupation, determined by a subtle code immediately discernible to other Japanese. Japan is an orderly society, and clothes buttress that order, a constant reminder that all's well with the nation.

The importance placed on membership in groups—all sorts of groups, from company affiliations to the fan club—is a key reason for Japan's willing acceptance of a dress code. The national regard for the collective over the individual is no myth: the person who is accepted by their co-workers, classmates, and fellow members of the parent-teachers' association is bound to feel more secure than the individual who goes their own way, one reason why some of the nation's more creative people feel most comfortable living abroad.

This notion of group membership and group security is a reason why company uniforms are so popular. Like workers in Victorian England, the Japanese sport uniforms of their profession, such clothes are viewed as a source of pride and identity, not something awful that stifles personal freedom.

Unity

Workers repeatedly say they like their uniforms for the feeling of unity with their fellow employees and the more pragmatic benefits of never needing to decide what to put on in the morning.

When Sony considered phasing out its company jackets a few years ago employees were up in arms and a new uniform was quickly commissioned. Today, everyone in the company, from President Akio Morita down, dons a trim taupe-coloured jacket whenever they are on the company premises.

Indeed, people in professions that dress as they choose in most nations have uniforms in Japan, from bank tellers to taxicab drivers. Business-suited staff never leave home without their company lapel pins.

The business of company uniforms has grown so big that Japan's top fashion designers regularly turn out company clothes, well-tailored if conservative uniforms that the companies hope, will enhance the corporate profile.

There is another offshoot when asked about job preferences, young women consistently choose Japan Air Lines. The reason? They all adore JAL's sleek navy blue stewardess uniforms designed by Hanae Mori. Clothes are also an indica-



Japan Air Lines stewardesses wearing the sleek uniforms designed by Hanae Mori

tion of personal pride. The Japanese don't like to dress down; whatever counter culture the country boasts does not strut about in old T-shirts and holey jeans.

I was astonished when I first visited Tokyo's Ginza district, the popular business and shopping area. The clothes may not have been terrifically stylish, but virtually everything worn by the Japanese was brand new, from the fur stoles of middle-aged matrons to the pink Snoopy sweatshirts on girls. The only old clothes wore on tourists.

Ginza is no Japanese anomaly. It is the same wherever you go throughout Japan—as if clothes magically self-destruct after the fourth washing.

This infatuation with new clothes is deeply rooted in contemporary society. In a nation with cramped housing and no particular tradition of stylish furnishings, clothing has long been the favoured way to mop up disposable cash. Always concerned with "face," no self-respecting Japanese would consider wearing anything old, soiled or unfit for his age or station.

Run-of-the-mill Japanese clothing is first-rate. Clothes are usually fashioned from

natural fabrics and come complete with linings, fabric swatches and extra buttons. It is what Japanese customers have come to expect and, being sharp businessmen, what the nation's garmentmakers know they are obliged to offer.

History

But perhaps the biggest influence on the way the Japanese dress has been history. Until the country was reopened to Western culture in the mid 19th century, the Japanese all wore kimono, the neat wrap-around whose basic style has remained unchanged for over 300 years.

Early attempts to modernise—and Western dress was viewed as a symbol of the West's formidable modernity—often resulted in some amusing juxtapositions: kimono-clad men sporting top hats, women in Western dress with traditional Japanese hair-styles. Yet it wasn't until after the 1859-45 World War that Western dress became the nation's dominant mode. Even today, older Japanese look most comfortable in kimono.

This may help to explain the innate conservatism—and dullness—of the average adult's

clothes. A navy blue suit may not be exciting, but the wearer can breathe easy, knowing that he has got it right. He also knows he blends into the crowd, a comforting thought in a country where few people want to draw attention to themselves.

But the relative newness of Western dress is also responsible for the delicious experimentation of the nation's affluent youth, and audaciousness less noticeable in most Western nations. The stylish young who frequent Tokyo's trendy Harajuku and Shibuya districts have a keen eye for mixing and matching, devising unlikely outfits that can prove charming—and stunning. All in that dominant colour, black.

What Japan's top designers have also done with great skill is blend the best of East and West in clothes that look like nothing ever seen. Dominant influences include the kimono, happi coat (the little jackets worn over the kimono) and even Edo-period workmen's pantaloons, but these are artfully melded with typical lines of the West.

Indeed, at their most terrific—and even at their most terrible—the clothes seen on the streets of Japan remain consummately Japanese.

Icarus might have made it with real time information.



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Society

JAPAN 17

Even soap operas taste different

Television

JUREK MARTIN

THE JAPANESE have an immense national fondness for the predictable. People often go to traditional theatre, for example, not to see a whole play, admittedly a bit long, but merely to sample again their favourite passages.

Perhaps no institution in Japan satisfies this basic need as thoroughly as television. For all the official observation of the creed that television's purpose is as much to enlighten, inform and educate as it is to entertain, few national TV systems in countries of comparable sophistication are as relentlessly predictable and, in consequence, as invariably uninspired as Japan's.

Avid watchers

Yet there is simply no evidence, outside occasional intellectual circles, that the staple TV fare is unacceptable to the public at large. Far from it, most surveys suggest that the Japanese are the most avid TV watchers in the world; one recently found that the average family spends eight hours and 15 minutes a day watching TV, comfortably more than even in the U.S.

The TV system conveniently divides itself into two parts; occupying the national high ground is NHK, the public broadcasting network somewhat analogous to the BBC. It runs both a general and education channel and is financed mainly by user fees.

The other part consists of roughly 100 stations dotted around the country, all affiliated to one of the five Tokyo commercial channels. Cable TV is still in its infancy, but is seen as a possible major growth area in the years ahead. Nevertheless all TV stations possess a relatively high level of technological expertise in production methods.

Any critique of programme content is necessarily subjective; it must be conceded that many outside observers especially from America have commented favourably on the quality of Japanese TV. A personal suspicion, however, is that they have seen little of it, for more constant exposure leads to the inescapable conclusion that television here, educational programming possibly excepted, has barely begun to explore the possibilities of the medium.

Most evening schedules run the standard gamut of variety and talk shows, crime dramas (ancient samurai and modern detective), all fairly heavily spiced with sexual titillation and fairly crude violence. Even the suspense inherent in baseball is removed, because evening telecasts end precisely at 8.54 pm, regardless of the state of the game.

When NHK and, less frequently, the commercial stations turn their hand to news and current affairs, they tend to do so with a pedantry that only a country which reserves its highest social honours, that of "sensei" (teacher), could comfortably accept. Though one fairly recent NHK documentary "Silk Road" was visually superb, the vast majority show little imagination in presentation or content.

NHK's coverage of December's general election, for example, was at least a generation behind Western standards; for all their considerable resources, most programmes on events in other countries seem to be taken out of the early Alan Whicker book, that is featuring Japanese commentators musing on the strange ways of the *gaikokujin* (foreigners).

If there are glimmerings of improvement, they reflect a growing national awareness of the world at large that, in the general public, probably already outstrips what television deems fit to acknowledge. But where Japanese television is genuinely interesting is in the light it throws on general, contemporary Japanese attitudes.

Thus the most popular programme of recent years was NHK's "Oshin," the one-year long, five days a week, 15



Kin-ichi Saito

Kin-ichi Hagimoto, versatile comedian who has a huge following in Japan through his top-rated shows, some of which run simultaneously. Here he hosts a show in which movie and TV stars and their families are asked to sing

minutes-a-day soap opera chronicling the life, from the turn of the century to modern times, of a single Japanese woman who emerged triumphant from countless vicissitudes. "Oshin" became instantly a national symbol, to whom politicians were eternally referring for inspiration. But she was, above all, a traditional character.

Controversial

More controversial, especially to foreigners resident in Japan but also to some Japanese, has been another recent NHK drama series, "Sanga Moyu." This is the tale of two Japanese brothers, one of whom stays in his adopted country, the U.S., the other, more favourably portrayed, who returns to fight for Japan in the last war.

NHK had actually sold the programme to some U.S. channels but, as arguments about its content and treatment

escalated, subsequently withdrew the sale. Admittedly, some of the criticisms were generated from inside Japan. The country's third largest newspaper, the *Mainichi*, assigned one of its best journalists, Yoshihisa Kamori, who knows the U.S. well, to produce a stream of articles dissecting the programme's inaccuracies and misinterpretations.

But controversy, unless it reflects the fact that in Japan, as elsewhere, the medium has become bigger than the message, is not really what Japanese television is about. It is the visual equivalent to the Japanese of the daily bowl of rice.

The culinary comparison with Texas chili demonstrates this; Japan is fascinatingly, one of the very few countries which could not stomach the twists and turns of "Dallas," simply because it possessed none of the moral certitudes the Japanese value so much.

Creativity rules unhindered

Advertising

JOHN BURTON

AARDVARKS parade out of a television screen with bottles of whisky on silver platters. Circus freaks cavort on a desert landscape tinged red with the setting sun. A collection of Victorian dolls swoon as they watch a doll-like version of the British new wave group Duran Duran perform in a child's room.

These surrealistic images are not scenes from a film, made by some avant garde director. They are commercials, Japanese style.

Japan is one of the few countries where that often-heard observation "The commercials are better than the programmes" may actually be true.

While Japanese television is dominated by programmes that feature clichéd plots or cloyingly cute teenage singers, the accompanying advertisements at their best are lyrical, stimulating and challenging.

Many Western art directors would consider Japan a paradise. Creativity is unhindered by the need to make claims that the product being advertised washes shirts whiter or has better fuel efficiency. In most cases, little or no reference is made to the product or the corporate sponsor until the last two or three seconds. Commercials in Japan have become 15-second exercises in fantasy and abstract images, not information.

Advertising creative directors themselves have become minor cultural stars. While British ad director Ridley Scott had to make such films as "The Duelists" and "Alien" before becoming known to the public, ordinary commercials for such products as insect spray have made a celebrity of Toru Kawasaki.

Western art directors and copywriters may harbour guilt feelings about working in a profession that is not very well regarded among their peers, but their Japanese counterparts enjoy the same social status accorded their more traditionally artistic colleagues. Japan makes little distinction between "pure" art and commercial art; art for art's sake is not a concept readily accepted by the pragmatic Japanese.

One reason for the sophisticated quality of Japanese advertising is that its creators



Watches in a Tokyo shop window. The prime goal of Japanese advertising is to create a pleasurable emotional association with the product

inhabit the same social circles as the country's painters and composers. As a result, commercials transmit some of the latest artistic fashions to a conservative public that otherwise would not be exposed to them.

Indeed, the Japanese have come to regard commercials as a minor art form. About half a dozen general circulation magazines, together with books and television shows, devote themselves to the creative aspects of advertising.

Advertising enjoys such prestige that the country's top agencies, which once had trouble attracting top talent, are now inundated with applications from graduating students of the nation's best universities.

Enthusiastic

This enthusiastic acceptance of advertising is not unusual for a society that is extremely entrepreneurial. But there is irony in the fact that while the Japanese are very practical-minded when it comes to business, advertising should concentrate so heavily on the soft rather than the hard sell.

The origin of this apparent contradiction lies in cultural values. The idea that the Japanese prefer form over substance has some validity when it comes to advertising as it does in other aspects of Japanese life.

and movie stars was originally introduced as one eye-catching ploy. Humorous situations have now become popular as a premise for commercials. One manufacturer of ballpoint pens recently went so far as to use a crude parody of Christ on the cross to gain attention.

The nature of the Japanese consumer market has also helped ensure that "mood" advertising thrives. Japan has taken on the attributes of a fully mature consumer market, on a par with the United States and Western Europe, only in the last 15 years or so.

Lifestyle sells

Television advertising evolved at the time when any product put on the shelf was likely to be snapped up by an eager Japanese nation wanting to spend its newly-acquired wealth. Advertising retains the mental attitude of that earlier period when establishing brand awareness through imagery was its major raison d'être.

Engaging in comparative factual advertising is probably meaningless anyway. The fierce competition pervading the consumer market guarantees a uniform high product standard—lifestyle, not product specifications, is what sells.

This is not to say that hard sell advertising doesn't exist. With Japan's economic slowdown since the first oil shock in 1973, consumers have become more mindful about how they spend their money.

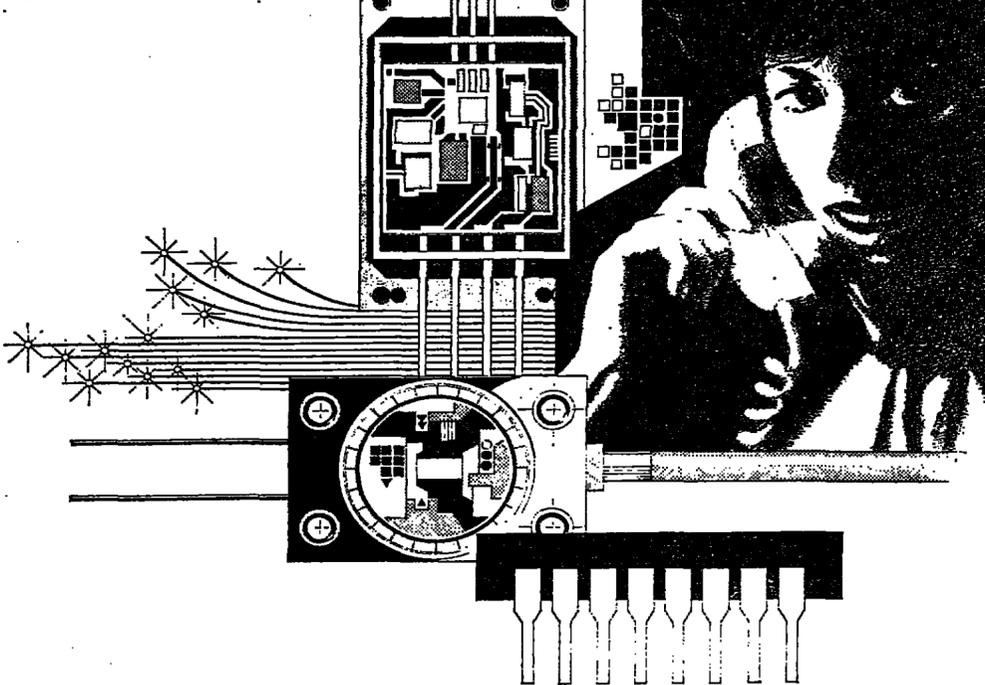
Hard-sell advertising is making its greatest inroads in daytime television, where the vast majority of viewers are women, the country's most important consumers since they usually control the family purse strings. Advertising "is becoming a question of why you should buy a product," comments one Tokyo creative director.

Nevertheless, while Japanese advertising may get top marks for creativity, it has not produced an informed consumer constituency. Many top Japanese marketing executives privately reveal an arrogant attitude that the consumer can be easily manipulated.

That assumption has some validity. Japan, for example, does not have nearly as large a consumer movement as exists in Western countries. As long as consumers respond to mood advertising with its messages of snob appeal and trendiness, the situation is not likely to change.

The use of foreign models

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JAPAN 18

Who to see, where to go and how to get there

AREA: 372,313 sq km.
POPULATION: 117 million (1981 estimate; proportion of the total population who are over 65: 19.90, approaching 9 per cent, projected for year 2000 14 per cent, for year 2020 approaching 19 per cent. Rate of increase 1970-80: 1.1 per cent; average household size 3.2 life expectancy: male—73.3 years, female—78.8 years; overall density—population/sq km: 310—note: UK 230/sq km, USA 24/sq km, China 100/sq km).
CAFFAL: Tokyo (population of conurbation, 1980 estimate: 11.6 million—of city's 23 wards,

early-1981: 8.15 million; estimated population of other major cities, early-1981: Yokohama 2.8 million, Osaka 2.6 million, Nagoya 2.1 million, Kyoto 1.5 million, Sapporo 1.4 million, Kobe 1.4 million).
TIME: GMT+9.
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Nature of Political system

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National Tourist Agency

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Information Centres

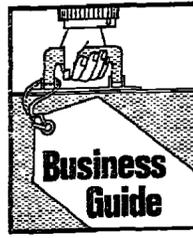
6-6, Yurakucho 1-chome, Tokyo (tel: 502-1461). Kyoto Tower Bldg., Higashi-Shio-kojicho, Shimogyo-ku, Kyoto (tel: 371-5049).
National airline: JAL.
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Ginza Marunouchi, 4-1, Tsukiji, Chuo-ku (tel: 543-5431; telex: 2522 214).
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New Japan, 2-13-8 Nagata-cho, Chiyoda-ku (tel: 581-5511; telex: 22499).
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Shinjuku Prince, 30-3 Kabuki-cho, Shinjuku-ku (tel: 208-8111; telex: 2324 733).
Sunlite, 1-4-1 Shinjuku 5-chome, Shinjuku-ku (tel: 358-0391).
Takanawa Prince, 3-13-1 Takanawa, Minato-ku (tel: 447-1111; telex: 2423 232).
Takanawa Tobu, 7-6 Takanawa 4-chome, Minato-ku (tel: 447-0111; telex: 2425 252).
Tokyo City, 1-9, Nihombashi Honcho, Chuo-ku (tel: 270-7671).
Tokyo Hilton, 10-3 Nagata-cho, 2-chome, Chiyoda-ku (tel: 581-4511; telex: 2425 252).
Tokyo Kanko 4-8-10 Takanawa Minato-ku (tel: 443-1211; telex: 2422 804).
Tokyo Station, 9-1, Marunouchi 1, Chiyoda-ku (tel: 231-2511; cable: Suhoto).
Tochi Centre, 2-4-1 Hirakawa-cho, Chiyoda-ku (tel: 265 8211; cable: Toshicenter).
Urashima, 2-5-2 Harumi, Chuo-ku (tel: 533-3111; telex: 2524 297).

Internal travel

TAXIS — Metered; readily available in cities; traffic congestion, rush-hour and bad weather can cause difficulty in obtaining and add to time and cost of journeys (a time charge is levied in traffic hold-ups); generally considered advisable to have destination written down in Japanese, or better still shown on map. Higher rates apply between 2300-0500; tipping is not usual.
CAR HIRE — International driving licence required; chauffeur-driven cars often recommended — traffic and destination-finding can cause difficulties.
Tokyo — Avis arrange through local office or, for urgent enquiries: Hotel Okura, Room 5202, 3-Aoi-cho, Akasaka, Minato-ku (Tel: 582-0111; ext 8202; Telex: 22790).
Hertz Airport Terminal, Haneda, Ota-ku (Tel: 747-7210).
ACU Rent-a-Car: 13-2, Hyakunin-cho 1-chome, Shinjuku-ku (Tel: 384-2211).
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Imperial Hire Cars (Tel: 264-7411).
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Air: JAL, All Nippon Airways, Toei Domestic Airlines operate domestic services to main centres.

Subway / metro/underground: in Tokyo, Osaka, Nagoya, Yokohama, Sapporo; Romanised signs in use; tickets generally show preceding and subsequent station as well as destination; it is often suggested that foreign travellers take a minimum-fare ticket and go to the Fare Adjustment Window at their destination (with sufficient coinage to pay any excess).
Nearest station to:
World Trade Center Building —Daimon (Toei Asakusa line).
Ministry of International Trade and Industry—Kojimae (Ginza line).
Chamber of Commerce—Nijubashimae (Chiyoda line).
Tokyo Metropolitan Government Office—Yurakucho (Yurakucho line).
Realt: total track length 62,000 km (Japanese National Railway 41,000 km); highly developed network forms major mass-transport sector. "green car" equivalent to first class; two pieces of ordinary luggage carried free (but there are some restrictions on size and total weight); stopovers generally possible with longer-distance one-way tickets; refunds not made after time of planned journeys.
Shinkansen/Bullet Train: journey time (582.6 km) Tokyo-Shin-Osaka is 3 hrs 10 mins; cruising speed 210 km/hr; Hikari service stops only at major stations; Kodama stops at all stations to Shin-Osaka—beyond there (to Hakata) local enquiries are necessary as stopping does not follow same (consistent) pattern; it is possible to make telephone calls to several Japanese cities from the train.
Special note: two ends of tunnel between Honshu and Hokkaido linked 27 Jan. 1983 —longest undersea tunnel, 23 km under sea; begun 1964; drilling was of 11-metre-diameter main tunnel with 5-metre-diameter service tunnel; originally bullet train link planned but ordinary rail link now forecast.

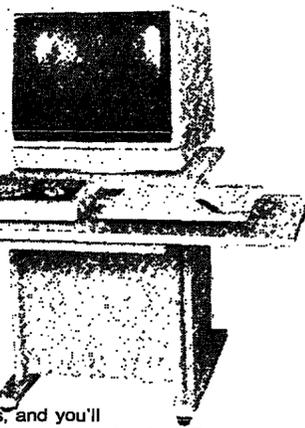
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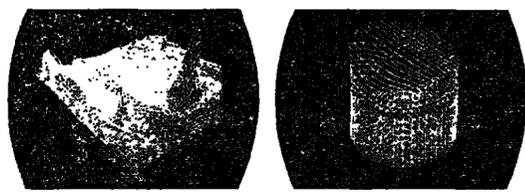
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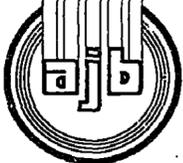
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New cultural influences have been grafted on to the more traditional Japanese art forms

A high level and breadth of skills

The Arts

MARIE MYERSCOUGH

THE CONSTANT stream of people and events nowadays has made Tokyo an international centre of the arts, enabling it to stand almost as an equal next to London and New York. However, in touching the lives of the highest percentage of ordinary people, Japan must hold first place.

The vitality of the arts is largely attributable to the cultured nature of the Japanese people. With a literacy rate of 99.9 per cent, they take naturally to them. Most communities even in large cities have annual festivals which call on a wide range of artistic skills.

The people of rural areas still perform centuries-old rituals often more powerful than any staged play. There seem to be few Japanese who cannot sing, play a musical instrument or do a simple brush painting. Many belong to amateur dramatic societies.

However, Japan's eclecticism is such that each new cultural influence has been grafted on to the old, rather than replacing it. This has given the culture both continuity and breadth and made it the richest in the world with perhaps more developed art forms available than anywhere else.

Japan's educational system plays a large role in inculcating people into the arts. Despite their formality and examination pressures, most schools have active arts clubs.

Twice-yearly schools' festivals include performances which as far back as the 1920s featured European plays. Exhibition-going is also initiated at school.

The Japanese are great attenders at classes, especially in both traditional and Western arts. Many of these are set up by local department stores which in addition to their commercialism act as culture centres (most have an exhibition hall or museum, classrooms, even theatres). A society without Western-style, class-division prejudices permits commerce and culture to work together and opens the arts to all.

The artistic basis of Japanese society is another factor. Both in its pure and broadest sense art traditionally has been used to beautify everyday objects, providing endless artefacts on which to employ creative energy. Further, Japanese lower classes, more upward-striving than their Western counterparts, have always been receptive to the culture of the better off.



A Noh play. Both traditional and contemporary theatre are well attended

Travel agents may market their hol'ays in theatre foyers, while in many local festivals the activity around the stalls lining the streets appears to constitute the festival more than the portable shrine-bearers squeezing their way through.

Looking at the state of the arts in Japan, the following general points are relevant:

- In most categories Japanese and foreign (mainly Western but also Asian) arts co-exist;
- While Tokyo is the country's artistic and political capital, provincial cities anxious to keep up are canvassing for an increasing share in events, evidenced for instance, by the boom in new museums over the last decade;
- The technical excellence of Japanese musicians, actors, etc is achieved by the native penchant for perfectionism, coupled with the absence of union restrictions against after-hours working.

Low subsidy

Since the arts are left to fend for themselves, most of the funding is on a do-it-yourself basis. In line with its minimal social spending, Japan gives far less to the arts in subsidy than any modern nation.

Recent figures show France as the most generously subsidised with \$1bn, Germany \$641m, the UK \$165m, and New York City \$74m, against Japan's \$4.3m.

Nonetheless, the government does support prominent artists. An honorary title translating awkwardly as "Living National Treasure" plus a stipend of

\$7,000 to assist in the passing on of their skills, is conferred on outstanding artists, craftsmen, actors, musicians in the traditional fields.

Financing originates from Japan's typical self-help spirit, the energy and initiative of those involved, plus support from private industry.

Indeed, business and the arts form a natural partnership. Most of the private museums belong to companies in commodities as diversified as oil, electronics, tyres, and drinks.

Because of Japan's demographic layout of cities separated by mountains, many provincial theatre and dance groups work in isolation.

Audiences' tastes in the arts is generally conservative and, in the case of Western films, for example, has often not developed beyond what was popular when that genre was first introduced into Japan.

As a society which operates mainly by personal contact people also take a long time to accept the new.

The sociological concepts of "the group" and "insiders/out-siders" may operate against the talented Japanese individual who goes it alone, ie, alone he stays.

Though Tokyo is the artistic capital, many provincial artists feel alienated. Among their reasons are Tokyo's newness: until 1868 Osaka was the country's artistic capital.

Large audiences

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Foreign theatre: The visits of prestige international companies also inspire the Japanese.

In line with Asian theatrical tradition, plays tend not to be intellectual nor about pertinent social issues.

Dance: Both as integral to traditional theatre and in its own right, classical dance is important. Dance schools and performances are usually a sell-out. Buto, the tortured and grotesque avant-garde dance (dancers nearly nude, bodies covered in white make-up) while well-known overseas, is still regarded as underground at home.

Foreign dance: Classes in all genres are well-subscribed, reflecting the boom in foreign dance. Yet Western dance is the poor relation. Ballet stars Yoko Morishita and Gen Horuchi are the exceptions in a still underdeveloped art.

Reasons lie in the Japanese physique: poor teachers, choreographers, conservative audiences.)

In modern dance, most is too similar to its American original. Flamenco, on the other hand is popular and several Japanese performers have loyal followings.

(This also explains the long run of Gades' "Carmen" in Japan.)

Film: Despite the reputation of Japanese films as classics and recent triumphs at Cannes, the film industry has been in decline for the last decade or more. It now consists largely of sex and violence plus some bland family fare, catering to audiences 75 per cent of whom are under 21.

For genuine entertainment Japanese moviegoers must go foreign, and American films comprise the largest category.

Foreign film: Most "road-shows" come to Japan in the original language and subtitled. The big dearth is in European films, most of which do not appear. However, this is about to be remedied: the Seibu Department store group has started showings in special art cinemas.

Three cinemas, regarded as highbrow and having cachet, are in fashionable Tokyo areas. They are aimed at the over-25 audiences in efforts to woo back to the cinema wives now at home who are unwilling to use baby sitters, and workaholic husbands out with the boys.

Video: As an art form Japanese video is just starting to take off with little yet of note. While video shops abound and Japan

continues its vast output of hi-tech hardware, software is mainly foreign. Rock videos common in the U.S. and the UK are just arousing attention as are those on social or political issues. However, contact with foreigners coming to work in Japan's stimulating environment will soon improve creativity—though not financing.

Musie: Japanese and Western music vie with exhibitions as the most active performing art. There is no shortage of concerts of traditional music. Enka, the sentimental songs sung by businessmen in bars are down to an art, with backing tapes, words books and even costumes and props.

Market research

In spite of the initial American influence, pop and rock music has been Japanese so that almost all groups look and sound alike—those who make it to the top having their image determined by market research and the industry. There are Japanese versions of New Music, New Wave and Rock.

Western music: From its first introduction in the 19th century Meiji period, Japanese people took classical western music to their hearts. Many Japanese musicians are now known internationally. Tokyo boasts 11 symphony orchestras and most concerts are sell-outs.

A constant stream of well-known musicians and conductors perform in Japan. In the contemporary music field Japanese hold their own internationally.

Most well-known pop groups tour Japan, supplemented by British punk and Reggae groups often unknown at home.

Opera: In contrast to Western classical music, opera has never really caught on. The first performance in Japan was only in 1934 and today, three companies later, Tokyo still does not have an opera house. Yet there is a growing body of aficionados who got at any price (La Scala \$120, a local company \$65). Italian is preferred, enthusiastic "bravos" having been absorbed into Japanese operagoers' vocabulary.

Yasuko Hayashi is the only Japanese opera star of note. Reasons lie in both problems of physique and lack of proper training facilities. Nonetheless, with the growing popularity, performances are sold out and at least one important international company tours each year.

Architecture: The only aspect of domestic architecture which has not succumbed to Western influence is the Japanese garden, providing an oasis of pleasure in Tokyo and other cities which are otherwise such a visual mess.

Eyecatching

Most buildings are unplanned, ugly, a hodgepodge of cheap concrete buildings jammed together, covered by neon signs, only occasionally relieved by some god architecture.

Here and there the new breed of architect who has studied abroad has created some eyecatching designs. These, however, only add to the incongruity of the skyline, though impressive in their own right.

The Japanese love of tradition does not extend to conservation of old buildings, end- less examples of interesting architecture having been destroyed in a construction boom going on for the past 30 years.

Exhibitions: These are numerous with, usual, the private sector the most active. There are said to be 1,500 museums throughout Japan, while Tokyo's Ginza alone has 400 small premises advertising themselves as galleries. Japanese contemporary prints seem conservative but techniques are usually highly developed.

Foreign exhibitions: Besides



Genroku Matsuda, master of Japanese lacquer art, at work. The glowing finishes of lacquer articles take several months to achieve.

Western art, the arts of China, Korea and other parts of Asia are well represented. However, in comparison with the Japanese exhibitions, they constitute a small percentage. In recent years Western art exhibitions have been increasing with much competition for the prestige ones. Japan is a relative newcomer in the field of buying art. As a result many collections of Western art are unrepresentative and uneven.

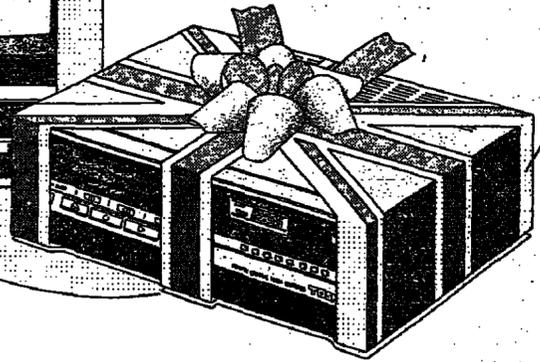
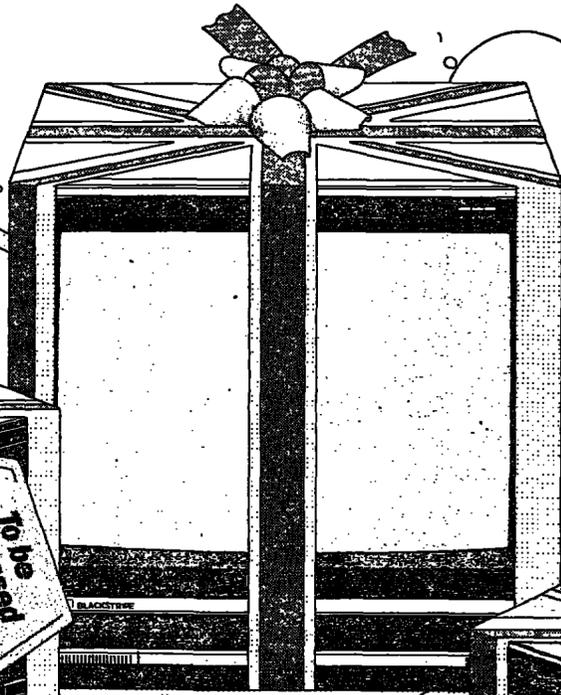
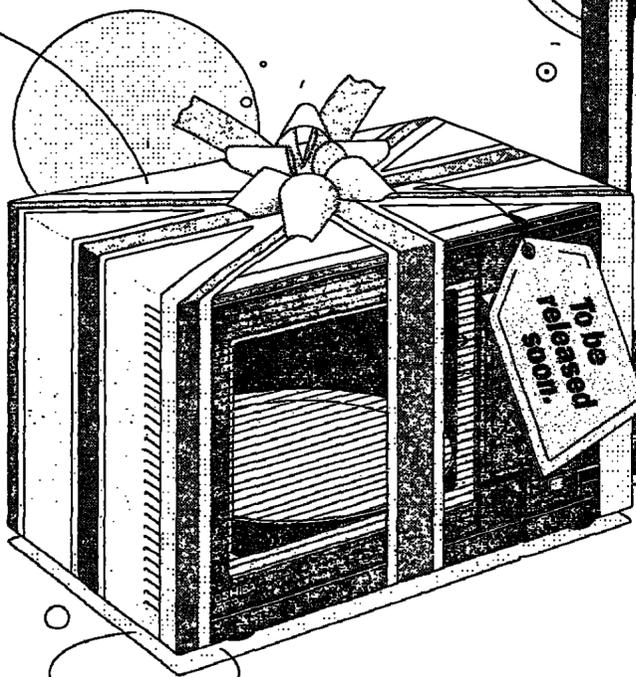
The usual sponsors for art exhibitions are newspapers of which the leader is the Nihon Keizai Shimbun, Japan's main financial paper. Some excellent Western art greets the corridors of the major trading houses, banks and internationally-known companies.

The Seibu Museum of Modern Art is shaking Japanese conservative tastes by its frequent exhibitions of contemporary, and often controversial, artists.

The arts, with no barriers against foreign "imports," offer many insights on Japan. For the business visitor there is no need to allow him or herself to be inundated by the well-meaning but tradition-bound ideas of his Japanese hosts, steered once more into the anonymous night spots and obligatory Kabuki. Much more is available if he strikes out alone to sample the other arts.

Marie Myerscough is the Financial Times Tokyo Arts Correspondent.

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